



\$94,150,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NYU HOSPITALS CENTER REVENUE BONDS,
SERIES 2007B

Dated: Date of Issuance

Due: July 1, as shown below

Payment and Security: The NYU Hospitals Center Revenue Bonds, Series 2007B (the "Series 2007B Bonds"), are special obligations of the Dormitory Authority of the State of New York (the "Authority") payable from and secured by a pledge of (i) the payments to be made under the Amended and Restated Loan Agreement (the "Loan Agreement") dated as of April 5, 2000, as amended and restated as of June 28, 2006 and as supplemented by the Supplement No. 1 to the Amended and Restated Loan Agreement, dated as of November 29, 2006, and by the Supplement No. 2 to the Amended and Restated Loan Agreement, dated as of October 31, 2007, in each case between the Authority and NYU Hospitals Center ("NYUHC" or the "Institution"), (ii) the hereinafter defined Series 2007B Obligation, and (iii) the funds and accounts (except the Arbitrage Rebate Fund) created under the Authority's Part B NYU Hospitals Center Obligated Group Revenue Bond Resolution, adopted by the Authority on April 5, 2000, and as amended and restated on June 28, 2006 (the "Resolution") and under the Authority's Series 2007B Resolution adopted on October 31, 2007 (the "Series 2007B Resolution").

Payment of the principal of and interest on the Series 2007B Bonds, when due, is secured by payments to be made pursuant to an obligation (the "Series 2007B Obligation"), issued by NYUHC pursuant to a Master Trust Indenture, dated as of June 28, 2006, as supplemented (the "Master Indenture"), by and between NYUHC and The Bank of New York, as Master Trustee. NYUHC is the sole Member of the Obligated Group established under the Master Indenture.

NYUHC's obligations under the Loan Agreement and the Series 2007B Obligation are general obligations of NYUHC. The Loan Agreement requires NYUHC to pay, in addition to the fees and expenses of the Authority and The Bank of New York, as Trustee, amounts sufficient to pay the principal, Sinking Fund Installments, or Redemption Price, if any, of and interest on the Series 2007B Bonds, as such payments shall become due, to maintain the Debt Service Reserve Fund for the Series 2007B Bonds at its requirement and to make payments due under the Series 2007B Obligation. At the time of delivery of the Series 2007B Bonds, an amount equal to the Debt Service Reserve Fund Requirement for the Series 2007B Bonds will be deposited into the Debt Service Reserve Fund.

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

Description: The Series 2007B Bonds will be issued as fully registered bonds in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. Interest on the Series 2007B Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2008, and will be payable at the principal corporate trust office of The Bank of New York, as Trustee, by check or draft mailed to the registered owner thereof. See "PART 3 - THE SERIES 2007B BONDS" herein.

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

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

Tax Exemption: In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Series 2007B 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 federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2007B 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). 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 2007B Bonds. See "PART 12 - TAX MATTERS" herein.

AMOUNTS, INTEREST RATES, MATURITIES, YIELDS AND CUSIPS

\$36,585,000 5.25% Term Bonds Due July 1, 2024, Yield 5.63%, CUSIP¹ 649903WR8
 \$57,565,000 5.625% Term Bonds Due July 1, 2037, Yield 5.83%, CUSIP¹ 649903WS6

The Series 2007B Bonds are offered when, as, and if received by the Underwriters. The offer of the Series 2007B Bonds is subject to the satisfaction of certain conditions and may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for NYUHC by Annette B. Johnson, Esq., NYUHC's Senior Vice President and General Counsel, and by NYUHC's Special Counsel, Ropes & Gray LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York. Ponder & Co., Chicago, Illinois, serves as financial advisor for capital planning for NYUHC. The Authority expects the Series 2007B Bonds to be delivered in definitive form in New York, New York on or about December 5, 2007.

Citi
Banc of America Securities LLC

JPMorgan

Morgan Stanley
Popular Securities

Dated: November 15, 2007

¹ See CUSIP footnote on inside cover.

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 2007B 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 an offer, reoffer or sale of the Series 2007B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, reoffer, solicitation or sale.

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

The Institution has reviewed the parts of this Official Statement describing the Institution, the Obligated Group, and the Master Indenture, including but not limited to "PART 1 - INTRODUCTION", "PART 4 - PLAN OF FINANCING", "PART 7 - NYU HOSPITALS CENTER", and "PART 8 - RISK FACTORS AND REGULATORY CHANGES THAT MAY AFFECT THE OBLIGATED GROUP". The Institution shall certify as of the dates of offering and delivery of the Series 2007B Bonds that such parts of this Official Statement relating to the Institution do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

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

References in this Official Statement to the Act (as defined herein), the Resolution, the Series 2007B Resolution, the Loan Agreement, the Mortgage (as defined herein), the Master Indenture and the Series 2007B Obligation do not purport to be complete. Refer to the Act, the Resolution, the Series 2007B Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2007B Obligation for full and complete details of their provisions. Copies of the Act, the Resolution, the Series 2007B Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2007B Obligation 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 or the Institution have remained unchanged after the date of this Official Statement.

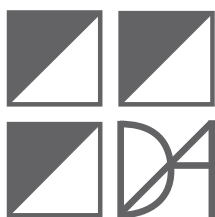
IN CONNECTION WITH THE OFFERING OF THE SERIES 2007B BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2007B BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED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

¹ Copyright 2005, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers indicated have been assigned by an independent company not affiliated with the Authority and are provided solely for the convenience of the holders of the Series 2007B Bonds only at the time of issuance of the Series 2007B Bonds. No representations are made with respect to such numbers nor does any party undertake any responsibility for the accuracy of the CUSIP numbers now or at any time in the future. The Authority is not responsible for the selection or uses of the CUSIP number, and no representation is made as to its correctness on the Series 2007B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2007B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity of the Series 2007B Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2007B Bonds.

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DORMITORY AUTHORITY - STATE OF NEW YORK
DAVID D. BROWN, IV - EXECUTIVE DIRECTOR

515 BROADWAY, ALBANY, N.Y. 12207
GAIL GORDON, ESQ. - CHAIR

OFFICIAL STATEMENT RELATING TO

\$94,150,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
NYU HOSPITALS CENTER
REVENUE BONDS, SERIES 2007B

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page hereto, is to provide information about the Dormitory Authority of the State of New York (the “Authority”) and NYU Hospitals Center (“NYUHC” or the “Institution”) in connection with the offering by the Authority of \$94,150,000 aggregate principal amount of its NYU Hospitals Center Revenue Bonds, Series 2007B, dated their date of issuance (the “Series 2007B Bonds”).

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

Purpose of the Issue

The proceeds of the Series 2007B Bonds will be loaned by the Authority to NYUHC and, together with other available funds, are expected to be used to finance and refinance certain capital expenditures of NYUHC, including but not limited to financing the (i) acquisition and installation of new emergency generators at Tisch Hospital, (ii) relocation, construction, renovation, expansion and equipping of the intensive care units at Tisch Hospital, (iii) construction, renovation and equipping of leased space in an existing facility located at 333 East 38th Street, to create a new Ambulatory Surgery Center, consisting of operating suites, pre-operation/recovery beds and a pathology laboratory, (iv) construction and renovation of a floor of the Schwartz Health Care Center, including HVAC system upgrades, to accommodate the relocation of a short-stay unit from Tisch Hospital and post surgical observation beds, and (v) construction, renovation and equipping of a cardiac and vascular center within the Schwartz Health Care Center (collectively, the “Projects”). Proceeds of the Series 2007B Bonds will also be used to provide capitalized interest, to make a deposit to the Debt Service Reserve Fund for the Series 2007B Bonds, and to pay the Costs of Issuance of the Series 2007B Bonds. See “PART 4 - PLAN OF FINANCING” and “PART 6 - ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2007B Bonds will be issued pursuant to the Authority's Part B NYU Hospitals Center Obligated Group Revenue Bond Resolution adopted by the Authority on April 5, 2000, as amended and restated on June 28, 2006 (the "Resolution"), the Series 2007B Resolution adopted by the Authority on October 31, 2007 (the "Series 2007B Resolution"), and the Act. On January 26, 2007, the Authority, pursuant to the Resolution, issued \$165,300,000 of its NYU Hospitals Center Revenue Bonds, Series 2007A (the "Series 2007A Bonds"). On October 4, 2006, the Authority, pursuant to the Resolution, issued \$94,590,000 of its NYU Hospitals Center Revenue Bonds, Series 2006A (the "Series 2006A Bonds") and \$27,410,000 of its NYU Hospitals Center (Taxable) Revenue Bonds, Series 2006B (the "Series 2006B Bonds"). On May 18, 2000, the Authority issued \$61,500,000 aggregate principal amount of its NYU Hospitals Center (Taxable) Revenue Bonds, Series 2000D, of which \$51,000,000 is currently outstanding (the "Series 2000D Bonds"). The Series 2000D Bonds, the Series 2006A Bonds, the Series 2006B Bonds and the Series 2007A Bonds are currently Outstanding under the Resolution.

Additional Bonds may in the future be issued pursuant to the Resolution and each such Series of Bonds shall be separately secured by (i) the funds and accounts established pursuant to the applicable Series Resolution, and (ii) the applicable Obligation (as defined herein) to be issued by the Obligated Group pursuant to the Master Trust Indenture, dated as of June 28, 2006, as supplemented (the "Master Indenture" or the "NYUHC Master Indenture"), by and between the Institution (and any future Members of the Obligated Group) and The Bank of New York, as Master Trustee (the "Master Trustee"). The Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, the Series 2007B Bonds and the Series 2000D Bonds, and all additional Series of Bonds hereafter issued pursuant to the Resolution, are referred to herein as the "Bonds." See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS."

The proceeds of the Series 2007B Bonds will be loaned by the Authority to NYUHC pursuant to the Amended and Restated Loan Agreement, dated as of April 5, 2000, as amended and restated as of June 28, 2006, as supplemented by the Supplement No. 1 to the Amended and Restated Loan Agreement, dated as of November 29, 2006, and as further supplemented by the Supplement No. 2 to the Amended and Restated Loan Agreement, dated as of October 31, 2007, in each case between the Authority and NYUHC (collectively, the "Loan Agreement"). The repayment obligations of NYUHC under the Loan Agreement are secured by Obligations issued by NYUHC under the Master Indenture.

The Series 2007B Bonds

The Series 2007B Bonds will be dated their date of issuance, and will accrue interest from their date at the rates, and will mature at the times, as set forth on the cover page hereof. Interest on the Series 2007B Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2008. See "PART 3 - THE SERIES 2007B BONDS - Description of the Series 2007B Bonds."

The Authority

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

NYU Hospitals Center

NYU Hospitals Center is a 1,069-bed tertiary care teaching hospital located in mid-town Manhattan. NYUHC traces its origins to the founding in 1882 of the New York-Post Graduate Hospital and, together with NYU School of Medicine, commenced conducting business as NYU Medical Center in 1947. In 1998, NYUHC became separately incorporated. NYUHC is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

A full asset merger of the Hospital for Joint Diseases Orthopaedic Institute (“HJD”) with and into NYUHC became effective on January 1, 2006. HJD, located in lower Manhattan, was founded in 1905, and now is an operating division of NYUHC. HJD has 190 beds (included within the 1,069 total of NYUHC) and was one of the nation’s largest hospitals dedicated solely to neuro-musculoskeletal diseases and neurological movement disorders.

NYU Hospitals Center is the sole Member of the Obligated Group under the Master Indenture. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS - Obligations under the Master Indenture.” Subject to the conditions thereto set forth in the Master Indenture, in the future additional entities may become Members of the Obligated Group.

See “PART 7 - NYU HOSPITALS CENTER”, “Appendix B-1 – Consolidated Financial Statements of NYU Hospitals Center as of December 31, 2006 and 2005 and for the years then ended” and “Appendix B-2 – Unaudited Financial Statements of NYU Hospitals Center as of August 31, 2007 and for the eight-month period then ended.”

Payment of the Bonds

The Series of Bonds heretofore and hereafter issued under the Resolution, including the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, the Series 2007B Bonds and the Series 2000D Bonds, are and will be special obligations of the Authority payable solely from the Revenues. The Revenues include certain payments to be made by the Institution under the Loan Agreement or to be made by the Institution, as the sole Member of the Obligated Group, on the Obligations of the Obligated Group issued under the Master Indenture, which payments are pledged and assigned to the Trustee. The Institution’s payment obligations under the Loan Agreement with respect to the Series 2007B Bonds are general obligations of the Institution secured by the Series 2007B Obligation. The Series 2007B Obligation is secured by a security interest in the Gross Receipts of the Institution on a parity with all other Obligations issued under the Master Indenture. The Series 2007B Obligation will also be secured by a mortgage lien (as more fully described herein, the “Mortgage”) on the Institution’s primary hospital facilities, including NYUHC’s main campus, the HJD campus and the Cancer Center (collectively, the “Mortgaged Property”), which lien secures on a parity basis all other Obligations issued under the Master Indenture, including the Series 2006A Obligation, the Series 2006B Obligation, the Series 2007A Obligation, the Series 2000D Obligation, an Obligation in the current outstanding amount of \$9,028,387 issued by NYUHC to New York University pursuant to the Master Indenture (the “NYU Obligation”), and an Obligation in the current outstanding amount of \$30,000,000 issued on January 16, 2007 by NYUHC to certain commercial lenders pursuant to the Master Indenture (the “Pension Obligation”). See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS - Payment of the Series 2007B Bonds,” and “- Obligations under the Master Indenture.”

Security for the Bonds

Each Series of the Bonds is and will be separately secured by the pledge and assignment made by the Authority pursuant to the Resolution to the Trustee of the Revenues applicable to such Series and all funds and accounts authorized by the Resolution and established under the respective Series Resolution (with the exception of the Arbitrage Rebate Fund), which include separate Debt Service Reserve Funds for the Series 2000D Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, and the Series 2007B Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS - Security for the Series 2007B Bonds” and “Obligations under the Master Indenture - The Mortgage” and “Appendix E - Summary of Certain Provisions of the Master Indenture.”

In addition, payment when due on the Series 2007B Bonds, and payment when due of the payment obligations of the Institution to the Authority under the Loan Agreement, is secured by an Obligation (the “Series 2007B Obligation”) issued pursuant to the Master Indenture and the applicable Supplemental Indenture thereto. The Master Indenture constitutes a joint and several obligation of each Member of the Obligated Group to repay all obligations issued under the Master Indenture (each an “Obligation”), including the Series

2007B Obligation. **NYUHC is currently the sole Member of the Obligated Group.** The obligation of NYUHC and any future Member of the Obligated Group to make the payment required by the Master Indenture with respect to the Series 2007B Obligation is secured by a security interest in the Gross Receipts of NYUHC and any future Member of the Obligated Group and by the Mortgage. Gross Receipts do not include, among other things, revenue derived from Property that does not constitute Health Care Facilities (i.e., Excluded Property). The Series 2007B Obligation will be registered in the name of the Authority. The issuance of future Obligations is subject to the satisfaction of certain financial covenants set forth in the Master Indenture which bind all Members of the Obligated Group, as described in “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS - Obligations under the Master Indenture” and “Appendix E -Summary of Certain Provisions of the Master Indenture.”

NYUHC and any future Members of the Obligated Group, upon compliance with the terms and conditions and for the purposes described in the Master Indenture, may incur additional Indebtedness. Such Indebtedness, if evidenced by an Obligation issued under the Master Indenture, would constitute a joint and several obligation of NYUHC and any future Member of the Obligated Group on a parity with the Series 2007B Obligation and all other Obligations outstanding under the Master Indenture, including the Series 2000D Obligation, the Series 2006A Obligation, the Series 2006B Obligation, the Series 2007A Obligation, the Pension Obligation, and the NYU Obligation, with respect to the Gross Receipts and the Mortgage. See “Appendix E - Summary of Certain Provisions of the Master Indenture.” Such other Indebtedness, if not so evidenced by an Obligation issued under the Master Trust Indenture, would constitute a debt solely of the individual Member of the Obligated Group incurring such Indebtedness, and not a joint and several obligation of the entire Obligated Group and, therefore, would not be entitled to the benefits of the Master Indenture. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS - Obligations under the Master Indenture” and “Appendix E - Summary of Certain Provisions of the Master Indenture.”

The Resolution authorizes the issuance by the Authority, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and to be separately secured from each other Series of Bonds issued pursuant to the Resolution for the benefit of the Institution and any other future Members of the Obligated Group. The holders of Bonds of a Series shall not be entitled to the rights and benefits conferred upon the holders of Bonds of any other Series. Each Series of Additional Bonds shall be secured by a separate Obligation issued under the Master Indenture. For a more complete discussion of the security for the Series 2007B Bonds, see “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS - Security for the Series 2007B Bonds.”

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

The Mortgage

In connection with the issuance of the Series 2006A Obligation and the Series 2006B Obligation, the Authority consolidated, amended, and restated its prior mortgages on the NYUHC main campus and the HJD Campus (collectively, the “Main Campuses”) into a single mortgage that was assigned to the Master Trustee and which secured the Series 2000D Obligation, the Series 2006A Obligation, the Series 2006B Obligation and the NYU Obligation. At the closing of the loan secured by the Pension Obligation on January 16, 2007, NYUHC granted a similar mortgage on the Main Campuses in the amount of the Pension Obligation that secures all obligations issued under the Master Indenture. Upon the issuance of the Series 2007A Obligation, an additional similar mortgage was granted on the Main Campuses and on the Cancer Center, and a similar mortgage will be granted to secure the Series 2007B Obligation upon issuance of the Series 2007B Bonds. Concurrent with the issuance of the Series 2007 A Obligation, the existing mortgages were spread to encumber the Cancer Center so that all indebtedness under the Master Indenture is secured by NYUHC’s primary hospital facilities and so that all Obligations issued under the Master Indenture will be secured on a parity, regardless of the order of recording or priority of any of the various mortgages granted to secure one or more Obligations.

The Institution's payment obligations on the Series 2000D Obligation, the Series 2006A Obligation, the Series 2006B Obligation, the Series 2007A Obligation, the Series 2007B Obligation, the Pension Obligation, the NYU Obligation, and any future Obligations issued under the Master Indenture, are secured by the Mortgage and a security interest in certain fixtures, furnishings and equipment now or hereafter owned by the Institution and located on or at the Mortgaged Property or used in connection with the Mortgage. In addition, the Master Trustee is permitted to release or subordinate certain portions of the Mortgaged Property from the lien of the Mortgage under certain conditions set forth in the Master Indenture; provided, that so long as the Series 2007B Bonds are outstanding, the Master Trustee (i) may not release, subordinate or amend the Mortgage in whole or in part without the consent of the Authority, and (ii) will, upon the direction of the Authority, consent to the release or subordination, in whole or in part, of the Mortgage as the Authority deems reasonably necessary or appropriate. No such release or subordination will require the consent of the holders of the Series 2007B Bonds or the Trustee. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS - Obligations under the Master Indenture - The Mortgage."

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

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2007B Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2007B Resolution, the Loan Agreement, the Mortgage, the Master Indenture, the Supplemental Indenture and the Series 2007B Obligation. Copies of the Act, the Resolution, the Series 2007B Resolution, the Loan Agreement, the Mortgage, the Master Indenture, the Supplemental Indenture and the Series 2007B Obligation are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolution" and "Appendix E - Summary of Certain Provisions of the Master Indenture", for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2007B Bonds

The Series 2007B Bonds issued under the Resolution are special obligations of the Authority. The principal, Sinking Fund Installments and Redemption Price, if any, of and interest on the Series 2007B Bonds are payable solely from the Revenues and all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Series 2007B Resolution. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement or to be made by the Obligated Group under the Series 2007B Obligation to be issued with respect to the Series 2007B Bonds on account of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2007B Bonds and to maintain the Debt Service Reserve Fund at its requirement. The Revenues have been assigned by the Authority to the Trustee for the benefit of the holders of the Series 2007B Bonds.

The Institution's obligations under the Loan Agreement and under the Series 2007B Obligation are general obligations of the Institution. The Authority has directed the Institution, and the Institution has agreed, to make the payments under the Loan Agreement directly to the Trustee. Any payments made on the Series 2007B Obligation issued with respect to the Series 2007B Bonds shall also be made directly to the Trustee. The Loan Agreement obligates the Institution to make monthly payments sufficient to pay, among other things, the principal and Sinking Fund Installments of and interest on the Series 2007B Bonds as they become due, and to make any payments due under the Series 2007B Obligation. Each payment is to be equal to one-sixth of the interest coming due on the next succeeding interest payment date and one-twelfth of the principal and Sinking Fund Installments coming due on or prior to the next succeeding principal or sinking fund payment date. See "PART 3 - THE SERIES 2007B BONDS - Redemption and Purchase in Lieu of Optional Redemption Provisions."

Security for the Series 2007B Bonds

The Series 2007B Bonds will be secured by the payments described above to be made under the Loan Agreement, all funds and accounts authorized under the Resolution and established by the Series 2007B Series Resolution (with the exception of the Arbitrage Rebate Fund), and payments to be made by the Obligated Group under the Series 2007B Obligation. Pursuant to the terms of the Resolution, the funds and accounts established and pledged by Series 2007B Resolution secure only the Series 2007B Bonds, and do not secure any other Series of Bonds issued under the Resolution, regardless of their dates of issue. See “Appendix D - Summary of Certain Provisions of the Resolution.”

Debt Service Reserve Fund

The Series 2007B Resolution establishes a separate Debt Service Reserve Fund to be funded at the time of the delivery of the Series 2007B Bonds. The Debt Service Reserve Fund is to be funded in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2007B Bonds. See Appendix A for the definition of the Debt Service Reserve Fund Requirement. 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 and Redemption Price, if any, of and interest on the Series 2007B Bonds. Any 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 the Debt Service Reserve Fund. See “Appendix D - Summary of Certain Provisions of the Resolution.”

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in the Debt Service Fund, on the fourth (4th) Business Day prior to an interest or principal payment date for the Series 2007B Bonds, is less than the amount that is necessary to pay the principal and Sinking Fund Installments of and interest on the Series 2007B Bonds payable on such interest or principal payment date and Redemption Price or purchase price of such Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption. The Resolution 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 (5) days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement may be withdrawn and applied in accordance with the Resolution. See “Appendix D - Summary of Certain Provisions of the Resolution - Debt Service Reserve Fund.”

Any delivery of securities to the Trustee for deposit in the Debt Service Reserve Fund shall constitute a pledge of, and shall create a security interest in, such securities for the benefit of the Authority to secure performance of certain of the obligations of the Institution under the Loan Agreement and for the benefit of the Trustee to secure performance of the obligations of the Authority under the Resolution.

The Series 2007B Obligation

Payment of the principal of, redemption price of or purchase price in lieu of redemption and interest on the Series 2007B Bonds when due, and payment when due of the obligations of the Institution to the Authority under the Loan Agreement, will be secured by payments made by the Institution pursuant to the Series 2007B Obligation. The Series 2007B Obligation will be issued to the Authority, which will assign all payments under the Series 2007B Obligation to the Trustee for the benefit of the Bondholders. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS - Obligations under the Master Indenture” herein.

Events of Default and Acceleration under the Resolution

The following constitute events of default under the Resolution with respect to the Series 2007B Bonds: (i) a default by the Authority in the payment when due of the principal, Sinking Fund Installments or Redemption Price, if any, of or interest on any Series 2007B Bond; (ii) a default by the Authority in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series

2007B Bonds or in the Resolution or in the Series 2007B Resolution which continues for thirty (30) days after written notice thereof is given to the Authority by the Trustee (such notice to be given in the Trustee's discretion or at the written request of holders of not less than 25% in principal amount of Outstanding Bonds unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within thirty (30) days and diligently prosecutes the cure thereof); (iii) a default by the Authority in the due and punctual performance of any applicable tax covenant which results in the loss of the exclusion of interest on the Series 2007B Bonds from gross income under the Code; or (iv) an "Event of Default," as defined in the Loan Agreement, shall have occurred and is continuing and all sums payable by the Institution under the Loan Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled). Failure of the Institution to make payment under the Loan Agreement shall not constitute an Event of Default under the Loan Agreement if timely payment of the Series 2007B Obligation is made by the Obligated Group in place of the payment due under the Loan Agreement. If the Obligated Group defaults under the Master Trust Indenture or under any Obligation issued thereunder, such default shall constitute an Event of Default under the Loan Agreement. Unless all sums payable by the Institution under the Loan Agreement are declared immediately due and payable (and such declaration shall have not been annulled), an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default occurs and continues (except with respect to a default described in clause (iii) above), the Trustee shall, upon the written request of the holders of not less than 25% in principal amount of the Series 2007B Bonds, by written notice to the Authority, declare the principal of and interest on the Series 2007B Bonds to be due and payable immediately. At the expiration of thirty (30) days after the giving of such notice, such principal, Sinking Fund Installments and interest shall become immediately due and payable. The Trustee shall, with the written consent of the holders of not less than 25% in principal amount of Series 2007B Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the holders within thirty (30) days, in each case after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installment or Redemption Price of, or interest on, any of the Series 2007B 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 2007B Bonds.

Additional Bonds

In addition to the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, the Series 2007B Bonds and the Series 2000D Bonds, the Resolution authorizes the issuance by the Authority of other Series of Bonds to finance Projects and for other specified purposes including refunding Outstanding Bonds or other notes or bonds issued on behalf of any Member of the Obligated Group.

Obligations under the Master Indenture

General

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

Subject to the terms of the Master Indenture, any entities that are not Members of the Obligated Group and corporations that are successor corporations to any Member of the Obligated Group through merger or consolidation as permitted by the Master Indenture may become an additional Member of the Obligated Group. Pursuant to the Master Indenture, the Members of the Obligated Group and any subsequent Member of the Obligated Group are subject to covenants under the Master Indenture relating to maintenance of a Long-Term Debt Service Coverage Ratio and restricting, among other things, the incurrence of Indebtedness, the existence of liens on Property, consolidation and merger, the disposition of assets, the addition of Members of the Obligated Group and the withdrawal of Members from the Obligated Group.

THE MASTER INDENTURE PERMITS EACH MEMBER OF THE OBLIGATED GROUP TO ISSUE OR INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS THAT WILL SHARE THE SECURITY FOR THE SERIES 2007B OBLIGATION (I.E., THE MORTGAGE AND THE GROSS RECEIPTS PLEDGE) ON A PARITY WITH SUCH OBLIGATIONS, AND IN CERTAIN CIRCUMSTANCES THE LIEN ON GROSS RECEIPTS MAY BE RELEASED IN PART TO SECURE SHORT-TERM INDEBTEDNESS OR TO IMPLEMENT A SALE OF SUCH GROSS RECEIPTS, AND THE LIEN OF THE MORTGAGE MAY BE RELEASED IN WHOLE OR IN PART. SUCH ADDITIONAL OBLIGATIONS WILL NOT BE SECURED BY THE MONEY OR INVESTMENTS IN ANY FUND OR ACCOUNT HELD BY THE TRUSTEE FOR THE SECURITY OF THE SERIES 2007B BONDS.

Security for the Series 2007B Obligation

Pursuant to the Master Indenture, each Obligation issued thereunder will be a joint and several general obligation of NYUHC and any future Member of the Obligated Group. Upon issuance of the Series 2007B Bonds, the Institution will be the sole Member of the Obligated Group. Under the Master Indenture, the Members of the Obligated Group may not create or suffer to be created any Lien on Property other than Permitted Liens. Among other Permitted Liens, the Liens created by the Mortgage and by the pledge of Gross Receipts are Permitted Liens. The liens created by the Mortgage include security interests in the Mortgaged Property. Other Permitted Liens include liens on equipment purchased with permitted Indebtedness, any lien on Property not to exceed 20% of Total Operating Revenues and any lien on Excluded Property, as further described in “Appendix E - Summary of Certain Provisions of the Master Indenture - Limitations on Creation of Liens”. The enforcement of the Obligations may be limited by (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal or State statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction and (v) federal bankruptcy laws, State of New York receivership or fraudulent conveyance laws or similar laws affecting creditors’ rights that may affect the enforceability of the Master Indenture. See “PART 8 - RISK FACTORS AND REGULATORY CHANGES THAT MAY AFFECT THE OBLIGATED GROUP - Enforceability of the Master Indenture.”

Security Interest in Gross Receipts

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

of accounts, payment intangibles, contact rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes and the proceeds thereof, as such terms are presently or hereafter defined in the New York Uniform Commercial Code, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from the Excluded Property; and (iii) insurance proceeds relating to assets subject to a capital lease permitted under the Master Indenture or subject to an operating lease as to which any Member of the Obligated Group is the lessee. Excluded Property means any real property that is not now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance and treatment of patients or to otherwise provide health care and health-related services.

The Mortgage

To secure payments required to be made by the Institution under the Series 2007B Obligation issued under the Master Indenture, and to secure all other Obligations, NYUHC has executed and delivered the Mortgage on the Mortgaged Property to the Master Trustee, which Mortgage includes a security interest in certain fixtures, furnishings and equipment located thereon. The Mortgaged Property includes the “core” hospital facilities of the Institution, being the main NYUHC campus, the HJD campus, and the Cancer Center, including the primary site for each inpatient facility of the Institution. See “PART 7 - NYU HOSPITALS CENTER - Facilities,” herein for further information regarding such “core” hospital facilities. The Mortgage will secure on an equal and ratable basis all Obligations issued under the Master Indenture, including but not limited to the Series 2007A Obligation, the Series 2007B Obligation, the Series 2006B Obligation, the Series 2006A Obligation, the Series 2000D Obligation, the Pension Obligation and the NYU Obligation. In addition, the Master Trustee is permitted to release or subordinate certain portions of the Mortgaged Property under certain conditions set forth in the Master Indenture; provided, that so long as the Series 2007B Bonds are outstanding the Master Trustee (i) may not release, subordinate or amend the Mortgage in whole or in part without the consent of the Authority, and (ii) will, upon the direction of the Authority, consent to the release or subordination of the Mortgage, in whole or in part, as the Authority deems reasonably necessary or appropriate. No such release or subordination will require the consent of the holders of the Series 2007B Bonds or the Trustee. See “Appendix E - Summary of Certain Provisions of the Master Indenture - Permitted Sale Leaseback and Partial Release Sale.”

In addition, under the Master Indenture each Member of the Obligated Group is required to grant to the Master Trustee a mortgage on all Health Care Facilities owned by such Member that are either: (i) financed or refinanced with the proceeds of debt secured by an Obligation issued pursuant to the Master Indenture; or (ii) owned by a new Member of the Obligated Group at the time that such Member is admitted to the Obligated Group (subject to any liens or security interests permitted to remain outstanding under the Master Indenture).

Other Indebtedness

The Members of the Obligated Group may issue additional Obligations under the Master Indenture that are secured on a parity with the Series 2007B Obligation, the Series 2007A Obligation, the Series 2006B Obligation, the Series 2006A Obligation, the Series 2000D Obligation, the Pension Obligation and the NYU Obligation by the pledge of Gross Receipts and by the Mortgage. See “Appendix E - Summary of the Certain Provisions of the Master Indenture - Limitation on Indebtedness” for a description of the conditions under which the Members of the Obligated Group may issue additional Obligations under the Master Indenture.

Under certain conditions set forth in the Master Indenture, in addition to incurring Indebtedness represented by an Obligation, the Members of the Obligated Group may incur debt in the form of Indebtedness incurred by the Members of the Obligated Group individually that is not evidenced or secured by an Obligation issued under the Master Indenture. Such borrowing may be secured by liens on Property permitted under the Master Indenture, including without limitation liens on Excluded Property, without limit, or accounts receivable. See “Appendix E - Summary of Certain Provisions of the Master Indenture” for a description of various financial covenants applicable to the Institution and any other Members of the Obligated Group. **Such summaries do not reflect certain additional and more restrictive covenant requirements imposed on the Institution and any other Members of the Obligated Group by the Authority. Such additional covenant**

requirements apply while the Series 2007B Bonds, the Series 2007A Bonds, the Series 2006B Bonds, the Series 2006A Bonds and the Series 2000D Bonds remain outstanding, and are enforceable only by the Authority and may be waived or modified by the Authority without the consent of the holders of the Series 2007B Bonds or the Trustee. Compliance with such covenants could prevent the Institution or any other Member of the Obligated Group from undertaking a particular transaction that is otherwise permitted by the Master Indenture, which in turn might affect the operations or revenues of the Institution and any other Members of the Obligated Group.

The Institution has certain Indebtedness outstanding. See “Appendix B-1 – Consolidated Financial Statements of NYU Hospitals Center as of December 31, 2006 and 2005 and for the years then ended, with Report of Independent Auditors” and “Appendix B-2 – Unaudited Financial Statements of NYU Hospitals Center as of August 31, 2007 and for the eight-month period then ended”.

THE SERIES 2007B BONDS ARE NOT 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 OF OR INTEREST ON ITS BONDS OR NOTES. SEE “PART 9 - THE AUTHORITY.”

PART 3 - THE SERIES 2007B BONDS

General

The Series 2007B Bonds will be issued and outstanding pursuant to the Resolution and the Series 2007B Resolution. The Series 2007B Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2007B Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2007B Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2007B Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Series 2007B Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). If at any time the Book-Entry Only System is discontinued for the Series 2007B Bonds, the Series 2007B Bonds will be exchangeable for fully registered Series 2007B Bonds in any authorized denominations without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “- Book-Entry Only System” below and “Appendix D - Summary of Certain Provisions of the Resolution.”

Description of the Series 2007B Bonds

The Series 2007B Bonds will be dated their date of issuance. The Series 2007B Bonds will mature and will accrue interest from their date at the rates and at the times set forth on the cover page of this Official Statement, payable semiannually on each January 1 and July 1, commencing July 1, 2008. The Series 2007B Bonds will be offered as fully registered Bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. Interest on the Series 2007B Bonds will be computed on the basis of a year of twelve 30-day months. The Series 2007B Bonds may be exchanged for other Series 2007B Bonds in any other authorized denominations upon payment of a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange and for the cost of preparing the new bond, and otherwise as provided in the Resolution. The Record Dates for the Series 2007B Bonds are December 15 and June 15. The Authority will not be obligated to make any exchange or transfer of Series 2007B Bonds (i) during the period beginning on the Record Date next preceding an Interest Payment Date for the Series 2007B Bonds and ending on such Interest Payment Date or (ii) after the date next preceding the date on which the Trustee commences selection of Series 2007B Bonds for redemption.

Redemption and Purchase in Lieu of Optional Redemption Provisions

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

Optional Redemption

The Series 2007B Bonds are subject to optional redemption prior to maturity, at the election or direction of the Authority, on or after July 1, 2017, in any order, as a whole or in part at any time, at 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Redemption

The Series 2007B Bonds are also subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, at the option of the Authority, on any interest payment date, from the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Mortgaged Property, and which proceeds are not otherwise applied as permitted under the Master Indenture.

Mandatory Redemption

In addition, the Series 2007B Bonds are subject to redemption, in part, on each July 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of Series 2007B Bonds specified for each of the years shown below:

Series 2007B Bonds Maturing on July 1, 2024

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2009	\$1,505,000	2017	\$2,280,000
2010	1,600,000	2018	2,400,000
2011	1,675,000	2019	2,530,000
2012	1,770,000	2020	2,660,000
2013	1,860,000	2021	2,800,000
2014	1,960,000	2022	2,950,000
2015	2,055,000	2023	3,105,000
2016	2,170,000	2024	3,265,000†

†Final Maturity

Series 2007B Bonds
Maturing on July 1, 2037

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2025	\$3,435,000	2032	\$4,480,000
2026	3,635,000	2033	4,735,000
2027	3,835,000	2034	5,005,000
2028	3,610,000	2035	5,285,000
2029	3,805,000	2036	5,575,000
2030	4,020,000	2037	5,895,000†
2031	4,250,000		

†Final Maturity

Purchase in Lieu of Optional Redemption

The Series 2007B Bonds are subject to purchase by or at the direction of the Institution, prior to maturity, at the election of the Institution, on the same terms that would apply to the Series 2007B Bonds if the Series 2007B Bonds were then being optionally redeemed.

General

The Authority may from time to time direct the Trustee to purchase Series 2007B 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 2007B Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required principal payment or Sinking Fund Installment on such Series 2007B Bonds. The Institution also may purchase Series 2007B Bonds and apply any Series 2007B 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 2000A Bonds. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2007B Bonds will be reduced for such year.

Selection of Bonds to be Redeemed

In the case of redemptions of the Series 2007B Bonds, other than mandatory redemptions, the Authority will select the principal amounts and maturities (including any Sinking Fund Installments) of the Series 2007B Bonds to be redeemed. If less than all of the Series 2007B Bonds of a maturity are to be redeemed, the Series 2007B Bonds to be redeemed will be selected by the Trustee, by lot as provided in the Resolution.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2007B Bonds in the name of the Authority, by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to the registered owners of any Series 2007B Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than ten business days prior to the date such notice is given. The failure of any such registered owner of a Series 2007B Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2007B Bond.

If on the redemption date moneys for the redemption of the Series 2007B Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the redemption price, and if notice of redemption has been mailed, then interest on such Series

2007B Bonds or portions thereof will cease to accrue from and after the redemption date and such Series 2007B Bonds will no longer be considered to be Outstanding.

In addition, any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the Redemption Date of moneys sufficient to pay the principal of, premium, if any, and interest on the Series 2007B Bonds to be redeemed and that if such moneys are not so received, such notice shall be of no force and effect and such Series 2007B Bonds shall not be required to be redeemed.

Notice of Purchase in Lieu of Optional Redemption

Notice of the purchase of the Series 2007B Bonds as described under “– Purchase in Lieu of Optional Redemption” above, will be given in the name of the Institution to the registered owners of the Series 2007B Bonds to be purchased by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the purchase date specified in such notice. The Series 2007B Bonds to be purchased are required to be tendered to the Trustee on the date specified in such notice. Series 2007B Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event Series 2007B 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 2007B Bonds and such Series 2007B Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest and shall continue to be subject to optional redemption as described herein.

The Institution’s obligation to purchase a Series 2007B 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 2007B 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 2007B Bonds to be purchased, the former registered owners of such Series 2007B 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 2007B Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the purchase date, who will be entitled to the payment of the principal of and interest on such Series 2007B Bonds in accordance with their respective terms.

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

Book-Entry Only System

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and

non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information on DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2007B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007B Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2007B Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007B 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 2007B Bonds, except in the event that use of the Book-Entry Only System for the Series 2007B Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2007B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2007B Bonds, such as redemptions, tenders, defaults and proposed amendments to the documents relating to the Series 2007B Bonds. For example, Beneficial Owners of the Series 2007B Bonds may wish to ascertain that the nominee holding the Series 2007B Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC, Cede & Co. nor such other DTC nominee will consent or vote with respect to Series 2007B Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an omnibus proxy (the “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 2007B 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 2007B 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 DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2007B Bonds registered in its name for the purposes of payment of the principal or redemption premium, if any, of, or interest on, the Series 2007B Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2007B Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. None of the Authority, the Trustee or the Obligated Group will have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2007B Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2007B Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as a registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

For every transfer and exchange of beneficial ownership of the Series 2007B Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as depository with respect to the Series 2007B Bonds at any time by giving reasonable notice to the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law, or the Authority may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Authority may retain another securities depository for the Series 2007B Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, the Series 2007B Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2007B Bonds in other authorized denominations as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.

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

THE AUTHORITY, NYUHC, THE OBLIGATED GROUP, THE TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2007B BONDS (i) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE

OF OR INTEREST ON THE SERIES 2007B BONDS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN SERIES 2007B BONDS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2007B BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE TRUSTEE, NYUHC OR THE OBLIGATED GROUP WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

PART 4 - PLAN OF FINANCING

The primary purpose for the issuance of the Series 2007B Bonds is for financing (i) acquisition and installation of new emergency generators at Tisch Hospital, (ii) relocation, construction, renovation, expansion and equipping of the intensive care units at Tisch Hospital, (iii) construction, renovation and equipping of leased space in an existing facility located at 333 East 38th Street, to create a new Ambulatory Surgery Center, consisting of operating suites, pre-operation/recovery beds and a pathology laboratory, (iv) construction and renovation of a floor of the Schwartz Health Care Center, including HVAC system upgrades, to accommodate the relocation of a short-stay unit from Tisch Hospital and post surgical observation beds, and (v) construction, renovation and equipping of a cardiac and vascular center within the Schwartz Health Care Center. Proceeds of the Series 2007B Bonds will also be used to fund the Debt Service Reserve Fund for the Series 2007B Bonds, to provide capitalized interest with respect to the Projects, and to pay Costs of Issuance of the Series 2007B Bonds.

PART 5 - PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS

The following table sets forth the amount coming due on each principal and interest payment date during each twelve-month period ending December 31 of the Bond Years shown for (i) the payment of the principal and Sinking Fund Installments of the Series 2007B Bonds, payable on July 1 of each such period and the interest payments coming due during each such period with respect to the Series 2007B Bonds; (ii) the total debt service payments coming due during such period with respect to the outstanding Series 2007A Bonds, Series 2006A Bonds, Series 2006B Bonds and Series 2000D Bonds; (iii) the total debt service payments coming due during such period with respect to the outstanding Series 2007A Bonds, Series 2006A Bonds, Series 2006B Bonds, Series 2000D Bonds and Series 2007B Bonds; (iv) the aggregate debt service payments coming due on the NYU Obligation, the Pension Obligation and on an accounts receivable financing secured by NYUHC receivables (collectively, the "Other Indebtedness"); and (v) the aggregate debt service on all Obligations outstanding under the Master Indenture (which includes amounts related to the Bonds) and on the Other Indebtedness.

12-Month Period Ending December 31,	Principal of Series 2007B Bonds	Interest on Series 2007B Bonds	Total Debt Service on Outstanding Bonds (not including the Series 2007B Bonds) ¹	Total Debt Service on Outstanding Bonds (including the Series 2007B Bonds) ¹	Total Debt Service on Other Indebtedness ²	Total Debt Service on all Master Indenture Obligations and Other Indebtedness ³
2008		\$2,951,948	\$26,660,373	\$29,612,321	\$11,382,964	\$40,995,285
2009	\$1,505,000	5,158,744	27,027,188	33,690,932	11,347,797	45,038,729
2010	1,600,000	5,079,731	27,022,921	33,702,652	11,116,741	44,819,393
2011	1,675,000	4,995,731	27,111,533	33,782,264	10,068,723	43,850,987
2012	1,770,000	4,907,794	27,084,225	33,762,019	1,117,978	34,879,997
2013	1,860,000	4,814,869	25,191,900	31,866,769	1,117,978	32,984,747
2014	1,960,000	4,717,219	26,828,900	33,506,119	1,117,978	34,624,097
2015	2,055,000	4,614,319	26,804,850	33,474,169	1,117,978	34,592,147
2016	2,170,000	4,506,431	26,774,950	33,451,381	1,117,978	34,569,359
2017	2,280,000	4,392,506	26,747,700	33,420,206	1,117,978	34,538,184
2018	2,400,000	4,272,806	26,716,100	33,388,906	1,117,978	34,506,884
2019	2,530,000	4,146,806	25,008,400	31,685,206	1,117,978	32,803,184
2020	2,660,000	4,013,981	24,971,350	31,645,331	1,117,978	32,763,309
2021	2,800,000	3,874,331	27,736,150	34,410,481	1,117,978	35,528,459
2022	2,950,000	3,727,331	27,432,850	34,110,181	1,117,978	35,228,159
2023	3,105,000	3,572,456	25,923,400	32,600,856	1,117,978	33,718,834
2024	3,265,000	3,409,444	25,871,050	32,545,494	1,117,978	33,663,472
2025	3,435,000	3,238,031	25,816,500	32,489,531	1,117,978	33,607,509
2026	3,635,000	3,044,813	25,757,000	32,436,813	1,117,978	33,554,791
2027	3,835,000	2,840,344	9,421,000	16,096,344	1,117,978	17,214,322
2028	3,610,000	2,624,625	9,420,250	15,654,875	1,117,978	16,772,853
2029	3,805,000	2,421,563	9,419,250	15,645,813	1,117,978	16,763,791
2030	4,020,000	2,207,531	9,422,250	15,649,781	1,117,978	16,767,759
2031	4,250,000	1,981,406	9,418,250	15,649,656	1,117,978	16,767,634
2032	4,480,000	1,742,344	9,416,750	15,639,094	1,117,978	16,757,072
2033	4,735,000	1,490,344	9,421,750	15,647,094	1,117,978	16,765,072
2034	5,005,000	1,224,000	9,417,000	15,646,000	1,117,978	16,763,978
2035	5,285,000	942,469	4,162,000	10,389,469	1,117,978	11,507,447
2036	5,575,000	645,188	4,163,250	10,383,438	1,117,978	11,501,416
2037	5,895,000	331,594		6,226,594		6,226,594
TOTAL	\$94,150,000	\$97,890,699	\$586,169,089	\$778,209,789	\$71,865,676	\$850,075,465

- (1) Interest on the Series 2000D Bonds has been estimated on the basis of an assumed fixed interest rate of 6.30% per annum, through March 15, 2008, based upon an interest rate swap in effect through such date, and thereafter at an assumed average floating interest rate of 7.30% per annum.
- (2) The accounts receivable financing is secured only by NYUHC receivables and is not secured by an Obligation issued under the Master Indenture. As of August 31, 2007, the accounts receivable financing was outstanding in the amount of \$21,800,000 (out of an available line of credit of \$24,000,000).
- (3) Total excludes other debt and guarantees of NYUHC not represented by the Bonds or by Obligations issued under the Master Indenture, including, but not limited to, a working capital loan (\$29,000,000 outstanding as of August 31, 2007 out of an available line of \$35,000,000), which is unsecured.

PART 6 - ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2007B Bonds:

Sources of Funds

Principal Amount of Series 2007B Bonds	\$ 94,150,000.00
Less Original Issue Discount	3,144,476.60
Institution Equity	<u>13,025,000.00</u>
	<u>\$104,030,523.40</u>

Uses of Funds

Cost of the Projects	\$ 89,826,002.07
Deposit to Series 2007B Debt Service Reserve Fund	6,679,812.56
Capitalized Interest	4,153,702.00
Costs of Issuance and Related Costs ⁽¹⁾	2,377,724.27
Underwriters' Discount	<u>993,282.50</u>
	<u>\$104,030,523.40</u>

⁽¹⁾ Includes certain New York State Department of Health Fees, as well as fees and expenses of Bond Counsel and counsel to NYUHC, rating agency fees, financial advisor fees, bond issuance charges, and Trustee and Master Trustee fees.

PART 7 - NYU HOSPITALS CENTER

Introduction and Background

NYU Hospitals Center (“NYUHC” or the “Hospital”), a 1,069-bed tertiary care teaching hospital located in mid-town Manhattan, is a tax-exempt, New York not-for-profit corporation, and is the principal teaching hospital of the New York University School of Medicine (“NYUSM”). NYUHC traces its origins to 1882, when the New York-Post Graduate Hospital was founded. Known by the 1940s as the University Hospital, it began to conduct business in 1947 as the “NYU Medical Center” in conjunction with NYUSM. NYUHC’s hospital facility was rebuilt on its present site in 1963 and renamed Tisch Hospital in 1990. The Rusk Institute for Rehabilitation Medicine (the “Rusk Institute”), founded in 1948, is an operating division of NYUHC. The Rusk Institute continues to be one of the country’s largest academic centers for the treatment and training of disabled adults and children. Effective January 1, 2006, the Hospital for Joint Diseases Orthopaedic Institute (“HJD”), a major orthopaedic hospital located in Manhattan, merged into NYUHC.

History

Since the 1920s and throughout a number of reorganizations and mergers, the hospital that is now known as NYUHC has been affiliated with, and at one time was an unincorporated division of, New York University (“NYU” or the “University”). From the 1940s until 1998, the University operated the hospital and NYUSM (both of which were at that time unincorporated divisions of the University) under the name NYU Medical Center (“NYUMC”). During this period, the University also established affiliations with HJD and New York Downtown Hospital.

In January 1998, the University spun off its hospital activities into NYUHC, then a newly formed New York not-for-profit corporation. NYUSM remained as an unincorporated division of the University but continued to do business with the newly incorporated NYUHC under the NYUMC name.

Later in 1998, the University agreed to combine its three hospital subsidiaries (NYUHC, HJD, and New York Downtown Hospital) with The Mount Sinai Hospital (“Mt. Sinai”) (the “Combination”). The Combination occurred when Mount Sinai NYU Health (“MSNYU Health”), a newly formed New York not-for-profit corporation, became the sole corporate member of each of NYUHC, Mt. Sinai, HJD, and New York Downtown Hospital. Neither the University nor Mt. Sinai retained direct control over MSNYU Health, which was governed by a self-perpetuating board of 128 trustees. For four years, a single leadership team oversaw the operations of all four hospitals.

In 2002, the University, Mount Sinai School of Medicine of New York University (the medical school affiliated with Mt. Sinai), and related parties agreed to modify MSNYU Health’s governance, and the University and The Mount Sinai Medical Center, Inc. (“MSMC”, an affiliate of Mt. Sinai) became MSNYU Health’s corporate members. This change reflected a shift to a “campus-focused” model, the purpose of which was to promote efficient decision-making and to strengthen the historically close collaboration between the hospitals and their respective schools of medicine. By aligning governance and management by campus, each hospital was expected to gain increased flexibility to develop budgets, adopt strategic plans and make decisions that reflected their specific needs. Moreover, because managed care and capitation did not penetrate the New York market to the extent anticipated, one of the core rationales for the Combination – that the combined negotiating strength of the affiliated hospitals and a larger patient panel would be necessary for them to compete in a managed care and capitated payment environment – was eliminated. As part of the reorganization, the Board of Trustees of MSNYU Health became a board with an equal number of trustees (14) elected to five-year terms by each of NYU and MSMC (28 total).

New York Downtown Hospital ceased to be affiliated with MSNYU Health in 2005.

On January 1, 2006, HJD merged into and is now operated as an unincorporated division of NYUHC known as NYU Hospital for Joint Diseases. Before the merger, HJD was a tax-exempt New York not-for-profit corporation located in lower Manhattan. Founded in 1905 with the mission to prevent and treat

neuromusculoskeletal diseases, it was one of the country's largest orthopaedic, neurologic and rheumatologic specialty hospitals, and offered treatment and care in orthopaedics, rheumatology, neurology and rehabilitation.

In 2006, NYUHC withdrew from the Mount Sinai NYU Health Obligated Group. Effective October 23, 2007, all necessary regulatory approvals were granted and NYU was substituted for Mount Sinai-NYU Health, Inc. as the sole member of NYUHC. By resolution of the University Board, the University appointed members of the NYUHC Board and also named the same individuals as members of a newly created New York University School of Medicine Advisory Board. Management expects that this will result in greater integration and closer alignment of the goals and strategies of NYUHC and NYUSM.

Affiliation with NYU School of Medicine

NYUHC is the principal teaching hospital for NYUSM, which is one of 13 component schools of NYU. NYU is a tax-exempt, New York education corporation. Founded in 1841 as the 19th chartered school of medicine in the United States, NYUSM follows the traditional tripartite mission of American medical schools: education, research and patient care.

NYUSM is responsible for an educational continuum that spans all traditional segments, including: 360 students in the Salk School of Science, a middle school that is a joint collaboration with the Board of Education of the City of New York; over 43 high school student fellows in pursuit of enrichment curricula; a number of college students in summer research and clinical programs; 700 M.D. and M.D./Ph.D. students; 215 Ph.D. students; 375 post doctoral trainees; 1,055 house staff; and thousands of physicians in continuing education programs. NYUSM's residency and fellowship programs provide graduate training for about 1,000 residents and fellows in approximately 70 programs approved by the Accreditation Council for Graduate Medical Education. In total, NYUSM has training affiliations with 12 different medical centers. On or adjacent to NYUSM's central campus are NYUHC's Tisch Hospital, Bellevue Hospital Center, and the Manhattan campus of the Veterans Administration's Hospital Harbor Health Care System, which are prominent representatives of private tertiary, public, and federal hospitals, respectively. The relationship with Bellevue, the oldest public hospital in the United States, is unique among U.S. medical schools and is a major component of NYUSM's educational enterprise, as well as a commitment by NYUSM to the people of New York City.

NYUSM has more than 1,200 biomedical research projects, clinical and basic, in progress and receives more than \$170 million in federal and non-federal funding each year. It conducts its research with the direct objective of creating new biomedical knowledge, thereby providing practical, clinical benefits to physicians and, ultimately, to patients. Through its basic science departments and the Skirball Institute of Biomolecular Medicine ("Skirball"), NYUSM is committed to investigating and conquering disease at the cellular and molecular level. Its facilities include: Skirball, with 60,000 square feet of laboratories staffed by multidisciplinary teams; the NYU Cancer Institute, a National Cancer Institute-designated "cancer center"; the Center for Aids Research, one of 20 National Institutes of Health-designated AIDS research centers; and the Child Study Center, a comprehensive facility for research, training and treatment of childhood mental disorders. In 2006, NYUSM opened the Smilow Research Building. With over 200,000 square feet of research space, the building will support translational research in cancer, cardiovascular biology, microbial pathogenesis, pathology, neuroscience, genetics, skin biology, infectious disease and renal medicine.

NYUSM has formed a Graduate Medical Education Committee with its educational affiliates (the "NYUSM Consortium"). The affiliates include NYUHC, Bellevue Hospital Center, Manhattan Veterans Administration Hospital, Jamaica Hospital, Lenox Hill Hospital, and Gouverneur Diagnostic and Treatment Center. The NYUSM Consortium exposes young physicians to diverse patient populations and helps to increase faculty and medical staff involvement in the programs.

NYUSM also owns and operates a faculty group practice that delivers patient care and currently employs approximately 450 physicians. Included in the group practice are the departments (or divisions) of anesthesiology, radiology, cardiovascular surgery, vascular surgery, radiation oncology and large portions of many other departments.

NEITHER NYU NOR NYUSM ARE MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, THEY ARE NOT OBLIGATED WITH RESPECT TO THE SERIES 2007B BONDS. NO ASSETS OR REVENUES OF NYU OR NYUSM ARE PLEDGED TO SECURE THE SERIES 2007B BONDS.

Scope of Services

NYUHC provides a full range of tertiary level adult and pediatric medical and surgical services and obstetrics. It is licensed to operate 1,069 beds as shown below, of which approximately 890 beds are currently staffed:

	<u>Tisch/Rusk</u>	<u>HJD</u>	<u>NYUHC Total</u>
Medical-Surgical	451	144	595
Intensive Care	37		37
Coronary Care	<u>6</u>	<u>—</u>	<u>6</u>
Total Medical-Surgical	494	144	638
Pediatric	39		39
Pediatric Intensive Care	9		9
Maternity	36		36
Psychiatry	22		22
Physical Medicine and Rehabilitation	174	16	190
Trauma Brain Injury		23	23
Coma Recovery		7	7
Special Use	82		82
Neonatal Intensive Care	9		9
Neonatal Intermediate Care	<u>14</u>	<u>—</u>	<u>14</u>
Total Non-Medical-Surgical	385	46	431
Total Licensed Beds	879	190	1,069

Adult services provided at NYUHC include: cardiovascular diseases including cardiac surgery, dermatology, gastroenterology, hematology, obstetrics/gynecology, oncology, neurology, infectious diseases, urology, general surgery thoracic surgery, neurosurgery, ophthalmology, otolaryngology, reconstructive plastic surgery, vascular surgery, transplant services, orthopaedic surgery, reproductive endocrinology, rheumatology, radiology surgery, epilepsy, psychiatry, physical medicine and rehabilitation.

In 2004, NYUHC opened the NYU Clinical Cancer Center (the “Cancer Center”), a multidisciplinary ambulatory clinical cancer center within three blocks of the main campus, which serves as the NYU Cancer Institute’s central outpatient setting for adults. The Cancer Center houses medical oncologists, hematologists, oncological surgeons, gynecological oncology surgeons, radiation oncologists, mammographers, radiological specialists, and pathologists. Services provided to patients at the Cancer Center include laboratory, diagnostic imaging such as PET/CT, MRI and mammography, and general diagnostic radiology. This 100,000 sq. ft. comprehensive cancer center provides all services in one setting to more than 500 patients per day. Infusion, transfusions, psychosocial support, alternative therapies, and radiation therapy are all provided in a single setting, allowing all caregivers to jointly develop patient specific programs.

Facilities

NYUHC occupies portions of four buildings on a four-block campus located on First Avenue between 30th and 34th Streets in New York City (the “First Avenue Campus”), as well as other facilities near the First Avenue Campus. The First Avenue Campus is structured in the form of a condominium, with all units owned by either NYUHC or NYU, and consists of NYUHC-owned facilities dedicated to inpatient and outpatient clinical care and ancillary and support services, as well as NYU-owned medical educational and research facilities. The following table lists those buildings on the First Avenue Campus that contain condominium units owned by NYUHC and other buildings owned by NYUHC, and used for its principal patient care,

ancillary and support services. The table also describes the year of construction of those buildings, the approximate gross square footage owned, and the principal facilities or services provided by NYUHC therein:

<u>Building Location</u>	<u>Approx Square Footage (Gross)</u>	<u>Year of Construction</u>	<u>Uses</u>
<i>NYUHC Owned Buildings</i>			
660 First Avenue	108,686	1906	Administration, with portions leased to NYUSM
301 East 17 th Street *	338,510	1979	HJD, Inpatient, Outpatient, Administration, Support
Clinical Cancer Center * 160 East 34 Street	117,469	2004	Outpatient services, radiation oncology, diagnostic radiology, breast cancer, breast surgery, administration
<i>NYUHC Condominium Units at First Avenue Campus</i>			
400 East 34 th Street *	90,600	1949	Rusk Institute, Inpatient, Outpatient, Administration, Support
550 First Avenue *	394,405	1963	Tisch Hospital, Inpatient, Outpatient, Administration, Support
550 First Avenue *	22,790	1969	Tisch Hospital
Schwartz Health Care Center, 550 First Avenue *	93,529	1979	Tisch Hospital

* These facilities are “core” hospital facilities included in the Mortgaged Property. Areas indicated represent total tax lot areas.

In addition to the owned facilities listed above, NYUHC holds long-term leases to property totaling approximately 370,000 rentable square feet in Manhattan, including facility space located at 333 East 38th Street to be used for an offsite ambulatory surgery program. See “Future Facilities Plans and Additional Borrowing.” NYUHC uses its leased property for a variety of administrative, support, and clinical purposes.

Located within the boundaries of the First Avenue Campus, on land owned by Amtrak and the Long Island Railroad, are two ventilation buildings used to move air through train tunnels. To improve passenger safety in the event of tunnel fire and smoke conditions, Amtrak is demolishing the existing ventilation buildings and replacing them on site with two new multi-story buildings containing new emergency stairways, modern ventilation fans, and bi-directional exhaust fans. Construction started in January 2005, with completion expected by 2010. As the new southside ventilation structure will only be nine feet from the hospital, NYUHC has worked to ensure that the reduction of noise, dust and vibration is Amtrak’s top priority during construction. NYUHC does not anticipate that the construction will negatively impact its business, but can give no assurance that accidents or other construction activities will not adversely affect NYUHC.

Future Facilities Plans and Additional Borrowing

The Project has an aggregate cost of approximately \$91,300,000, of which approximately \$13,000,000 is being funded by equity and approximately \$78,300,000 is being funded by proceeds of the Series 2007B Bonds, and includes the following components: a replacement of the emergency generator for Tisch Hospital, renovation of the intensive care units at Tisch Hospital, the addition of an offsite ambulatory surgery program that will free up capacity for inpatient services on the main campus, renovation of the Short Stay Unit and the

creation of additional observation beds, and the addition of two interventional suites for cardiac and vascular procedures. See “Part 1 - INTRODUCTION – Purpose of the Issue.”

NYUHC is exploring the feasibility of building a new clinical pavilion on its existing First Avenue Campus. It has not filed for certificate of need approval for such a project, which if commenced would likely be constructed in the 2009-2014 time frame. Early estimates of the aggregate cost of such a project are in excess of one billion dollars. The project, if undertaken, would be financed through a combination of debt, philanthropy, and equity. No decision on whether to undertake such a project has been made, and there can be no assurance that all needed regulatory approvals for such a project could be obtained. In addition, any such financing must be in accordance with the debt limitations set forth in the Master Indenture.

NYUHC is also considering the possibility of renovating and expanding its Emergency Department, a project which could have an aggregate cost of approximately \$50,000,000. No certificate of need approval has been obtained, and any borrowing for such a project would be undertaken only if appropriate in light of NYUHC’s then-current financial situation.

NYUHC has executed a non-binding letter of intent with a major equipment and services vendor concerning a proposed strategic alliance pursuant to which NYUHC would commit to purchasing a broad array of equipment and certain services from the vendor under defined circumstances. As part of the proposed strategic alliance, the vendor may provide or arrange for the financing for a major portion of the proposed clinical pavilion. There can be no assurance, however, that agreement will be reached with the vendor on the terms of the transaction, and completion of any transaction with the vendor also depends on negotiation of mutually satisfactory definitive agreements and various other conditions.

Some or all of the projects described above may be financed and secured by one or more Obligations issued under the Master Indenture.

Governance and Executive Staff

Trustees of NYUHC

The following is a list of the voting members of the Board of Trustees of NYUHC, including their business affiliations and occupations, as applicable, as of September 30, 2007:

<u>Trustee Name</u>	<u>Company Affiliation</u>
Michael C. Alfano (<i>ex officio</i>)	Executive Vice President, NYU
Marc H. Bell	Managing Director, Marc Bell Capital Partners
William R. Berkley	Chairman & CEO, W.R. Berkley Corp.
Robert Berne (<i>ex officio</i>)	Senior VP for Health, NYU
Edgar Bronfman, Jr.	Chairman and CEO, Warner Music Group
Kenneth I. Chenault	Chairman and CEO, American Express Company
Marshall S. Cogan	Generation III Partners
Gary D. Cohn	President & Co-COO, Goldman Sachs
William J. Constantine (Vice Chair)	Managing Director, Legg Mason Investment Counsel
Elizabeth B. Dater	Chief Investment Officer, AG Asset Management
Jamie Dimon	Chairman and CEO, JPMorgan Chase & Co.
Fiona Druckenmiller	Philanthropist
Norman Eig	Managing Director, EXOP Capital LLC
Alvin H. Einbender	Einbender Management Corp.
Laurence D. Fink (Co-Chair)	Chairman and CEO, BlackRock Financial Management
Lori Fink	Philanthropist
Louis P. Friedman	Vice Chairman-Investment Banking, Bear Sterns & Co., Inc.
Jay Furman	Principal, RD Management Corp.
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The NYUHC Board also has six non-voting Life Trustees, eight non-voting Associate Trustees and four non-voting medical staff members.

Executive Staff

Robert I. Grossman, M.D., age 60

Dr. Grossman assumed the position of Chief Executive Officer of NYUHC and Dean of NYUSM on July 1, 2007. Dr. Grossman is the Louis Marx Professor of Radiology, Chairman of the Department of Radiology, and Professor of Neurology, Neurosurgery, and Physiology and Neuroscience at NYU, which he joined in 2001 from the Hospital of the University of Pennsylvania. In his previous position, he was Professor of Radiology, Neurosurgery, and Neurology; Chief of Neuroradiology; and Associate Chairman of Radiology.

Dr. Grossman received the Javits Neuroscience Investigator Award by the National Institutes of Health (NIH) in 1999 for his work on multiple sclerosis. He was a member (1995-2000) and Chairman (1997-2000) of the Diagnostic Radiology Study Section at NIH, was appointed to the NIH's National Advisory Council for Biomedical Imaging and Bioengineering (2003-2007), and is currently the principal investigator of two NIH-funded research grants. In 2004, he became the first recipient of the American Society of Neuroradiology Education and Research Foundation's annual Outstanding Contributions in Research Award in recognition of lifelong accomplishment and consistent excellence in clinical neuroscience. He is currently President of the American Society of Neuroradiology, a fellow of the American College of Radiology, and a fellow of the International Society for Magnetic Resonance in Medicine.

Dr. Grossman has authored over 300 publications and four books. He is Editor-in-Chief of the *American Journal of Neuroradiology* and serves on the editorial boards of several scientific journals.

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

Andrew W. Litt, M.D., age 50

In July 2007, Dr. Litt became Executive Vice President and Vice Dean, Chief of Staff of NYUHC. He was previously Vice Chair for Financial Affairs in the NYUSM Department of Radiology, in which position he had responsibility for economic development of the department, including negotiating all of the department's managed care contracts over the last 10 years and developing new programs with the payors. He was the department's leader in the negotiation of a strategic alliance with a major equipment provider. A former Associate Editor of *Radiology*, he has written in the field of health policy and magnetic resonance imaging techniques. For the last ten years, Dr. Litt has served on the Executive Committee of the American Society of Neuroradiology and as a member of the society's Clinical Practice Committee. He has been the Society's delegate to the American Medical Association House of Delegates for over 10 years, where he was active in addressing crucial issues in healthcare, economic policy making and threats to the healthcare system in general and academic medicine in particular.

Dr. Litt received his undergraduate degree *magna cum laude* from Brown University, where he was a member of the Phi Beta Kappa honors society. He has been at NYU for 28 years, as a medical student, intern, resident, fellow and attending physician.

Bernard A. Birnbaum, M.D., age 50

As of July 2007, Dr. Birnbaum is Senior Vice President and Vice Dean, Chief of Hospital Operations. Previously, Dr. Birnbaum was Vice Chair of Clinical Affairs and Operations, and Chief of Service of the

NYUSM Department of Radiology. During his six-year tenure as Vice Chair, he was responsible for radiology clinical operations and workflow enhancement, faculty recruitment and credentialing, policy development and implementation, quality improvement and compliance, and oversight of the department's strategic planning initiatives. Dr. Birnbaum is a former Associate Editor of *Radiology*, and has authored over 80 peer-reviewed research publications. Dr. Birbaum also previously held the position of Vice Chair of the Executive Committee of the Medical Board of NYUHC and has served on numerous Hospital committees.

Dr. Birnbaum received his B.A. in biology, *Phi Beta Kappa*, from Brown University, and his M.D. from the NYU School of Medicine in 1983, where he was elected to *Alpha Omega Alpha*. He completed his medicine internship and radiology residency and fellowship at NYUHC from 1984-1988, and was a member of the NYUSM Department of Radiology faculty from 1988-1993, when he left to become the Chief of Computed Tomography at the Hospital of the University of Pennsylvania, and returned to NYUHC in 2001.

Andrew W. Brotman, M.D., age 52

As of July 2007, Dr. Brotman is Senior Vice President and Vice Dean for Clinical Affairs and Strategy, and Chief Clinical Officer. From 1999-2007, Dr. Brotman held the positions of Vice Dean of Clinical and Hospital Affairs for NYUSM and Senior Vice President for NYUHC. In these roles, he led the Faculty Group Practice, managed partnerships with affiliate hospitals and oversaw and played a significant role in development of clinical service lines and an infrastructure to manage the clinical enterprise over a period of significant growth. He played a leading role in the opening and operation of the Clinical Cancer Center and also led the Oncology Service Line and the Cardiac and Vascular Service Lines of NYUHC.

Prior to 1999, Dr. Brotman was Senior Vice President and Chief Operating Officer for physician practice management and network development for CareGroup in Boston. In this position he was responsible for the operations of employed physician practices, and was one of the founders of the managed care organization known as the Physicians Services Network. Dr. Brotman was also the Chief of Psychiatry at Beth Israel Deaconess Medical Center, and prior to that was Chief of Psychiatry at New England Deaconess Hospital, where he also served as President of the Medical Staff and ultimately, as Medical Director of Pathway Health Network, a four-hospital network.

Dr. Brotman did his psychiatry residency at Massachusetts General Hospital, beginning in 1981. He is on the editorial boards of several journals and has over 80 publications to his credit.

Robert A. Press, M.D., age 60

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

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

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

Richard R. Crater, age 61

Mr. Crater is the Senior Vice President for Finance of NYUHC and Vice Dean for Financial Affairs for NYUSM. Before coming to NYUMC, Mr. Crater was a Principal of The Bristol Group, a health care consulting group, and Executive Vice President of Partners Health Care System, Inc. (“Partners Health Care System”). He came to Partners Health Care System from Massachusetts General Hospital where he began his service as Director of Budgets and Cost Accounting and progressed to Chief Financial Officer. In 1989, Mr. Crater became Vice President for Finance of Massachusetts General Hospital, the McLean Hospital and the Spaulding Rehabilitation Hospital, all owned by Massachusetts General Hospital. As Chief Operating Officer of Massachusetts General Hospital in 1993, Mr. Crater was a key player in the formation of the Partners Health Care System, the merger of Massachusetts General Hospital and Brigham and Women’s Hospital. He was also central to the formation of Partners Community Health Care Incorporated, a physician led corporation that Partners Health Care System was instrumental in developing. Within the Partners Health Care System, Mr. Crater served as CEO of Massachusetts General Hospital and as Executive Vice President of Partners Health Care System.

Mr. Crater received his B.A. from Duke University and holds an M.B.A. from Boston University. He attended the Harvard Business School’s Advanced Management/International Management program for three months in 1996.

Annette B. Johnson, age 62

Mrs. Johnson is Senior Vice President and General Counsel for NYUHC and Vice Dean and Senior Counsel for Medical School Affairs for NYUSM. Mrs. Johnson joined NYU in 1981, serving as counsel to NYU and NYU Medical Center prior to the combination with Mt. Sinai and thereafter, as Senior Counsel for NYUSM. She was appointed Senior Vice President and General Counsel for NYUHC in October 2001. Mrs. Johnson received her J.D. degree from the University of Toledo. After graduating from law school, she held a faculty appointment at the University of Toledo College of Law and served in the New York State Office of the Attorney General prior to joining the Office of Legal Counsel at NYU.

Financial and Statistical Information

Unless otherwise indicated, all financial and statistical information described in this Part 7 refers to fiscal years ended December 31 and combines the results of operation of NYUHC and HJD. Such information is presented on a consolidated basis including the results of operations of a wholly owned captive insurance company, CCC550 Insurance SSC (“CCC550”). CCC550 was organized in 2005, is domiciled in Bermuda, and accounted for approximately 9% of the total assets and approximately 2% of the total revenues of NYUHC on a consolidated basis as of and for the year ended December 31, 2006.

CCC550 IS NOT A MEMBER OF THE OBLIGATED GROUP AND, THEREFORE, IT IS NOT OBLIGATED WITH RESPECT TO THE SERIES 2007B BONDS. NO ASSETS OR REVENUES OF CCC550 ARE PLEDGED TO SECURE THE SERIES 2007B BONDS.

Medical Staff

As of October 15, 2007, NYUHC had a professional staff of approximately 1,788 physicians, of whom 852 were full or part-time employees of NYUSM or NYUHC, and the remaining 936 were private practice physicians with admitting privileges at NYUHC. As of December 31, 2006, approximately 86% of the active members were board-certified and the average age of the active staff was approximately 50 years. From December 31, 2005 to October 15, 2007, the size of the NYUHC professional staff increased by 55, or 3%, from 1,733 to 1,788 physicians. From December 31, 2004 to December 31, 2005, the size of the NYUHC professional staff increased by 289, or 20%, from 1,444 to 1,733 physicians (mostly due to the credentialing of HJD physicians). No single physician accounted for more than 4.6% of the NYUHC net inpatient revenue in 2006. Physicians employed by NYUSM or NYUHC accounted for 84.5% of all discharges from NYUHC in

2006 and 75.9% of the NYUHC net inpatient revenue in 2006. The following chart illustrates the number of physicians by clinical department as of October 2007:

<u>Clinical Department</u>	<u>Total</u>
Anesthesiology	110
Cardiothoracic Surgery	15
Dermatology	111
Emergency Medicine	51
Medicine	466
Neurology	63
Neurosurgery	16
OB/GYN	124
Ophthalmology	71
Orthopaedic Surgery	119
Otolaryngology	21
Pathology	42
Pediatrics	172
Psychiatry	102
Radiation Oncology	9
Radiology	110
Rehabilitation	50
Surgery	105
Urology	31
TOTAL	1,788

The top ten physicians who individually saw the largest number of patients in 2006 accounted for 13.7% of all patient discharges in 2006. The following chart describes these ten physicians by their specialty, age and number of discharges. Six of these ten physicians are employed by NYUSM and the remaining four are private practice physicians with admitting privileges at NYUHC.

<u>Physician Specialty</u>	<u>Age of Physician</u>	<u>Patient Discharges in 2006</u>	<u>Percent of Total NYUHC Discharges (of 40,640 in 2006)</u>
Pediatrics	59	1,205	3.0%
Physical Medicine	50	694	1.7%
Pediatrics	57	616	1.5%
Bariatric Surgery	50	522	1.3%
Cardiac & Pulmonary Rehabilitation	42	507	1.2%
Cardiovascular Disease	53	449	1.1%
Internal Medicine	32	417	1.0%
Obstetrics & Gynecology	45	404	1.0%
Cardiothoracic Surgery	64	403	1.0%
Physical Medicine	35	361	0.9%
TOTAL		5,578	13.7%

NYUSM has developed plans to recruit a substantial number of physicians over the next few years in order to increase volume, particularly in surgery, oncology and cardiology. Several physicians have been recently recruited, and Management believes that the development of new interventional suites and an ambulatory surgery site will further enhance recruitment. Further progress will be dependent on market and other factors.

Payor Mix

The following table illustrates the payor mix for NYUHC (including HJD) for each of the three years ended December 31, 2004, 2005, and 2006, and for the eight-month periods ended August 31, 2006 and 2007:

NYU Hospitals Center Discharges by Payor (Adults and Pediatrics)

<u>Payor</u>	<u>Eight-Month Period</u> <u>Ended August 31,</u>		<u>Year Ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Medicare	35%	36%	35%	37%	35%
Medicaid	8%	9%	9%	7%	9%
Blue Cross	17%	15%	15%	14%	14%
Commercial/Other*	4%	4%	3%	4%	4%
Managed Care	36%	36%	38%	38%	38%
Total	100%	100%	100%	100%	100%

Source: NYUHC and HJD records.

* Includes commercial payors, workers compensation, no-fault and self-pay payors.

The following table sets forth the percent of net patient service revenue of NYUHC (including HJD) attributable to commercial payors in 2006. No one managed care payor represents more than 16% of the 2006 net patient service revenue of NYUHC.

<u>Payor</u>	<u>Percent of Net</u> <u>Patient Service</u> <u>Revenue in 2006</u>	<u>Product Participation</u>
Aetna	8%	Commercial & Medicare
Blue Cross	16%	Commercial, Child Health Plus & Medicare
Cigna	2%	Commercial
Health Net	2%	Commercial & Medicare
Oxford	12%	Commercial & Medicare
United	<u>8%</u>	Commercial
Total	48%	

Source: NYUHC and HJD records.

Market Share

The following table sets forth the percentage of all 1,118,339 patient discharges (including only patients who are residents of the five boroughs of New York City) from New York City hospitals in 2006:

2006 New York City Market Share by Hospital

<u>Hospital</u>	<u>Percent of Discharges (of New York City Residents)</u>
Beth Israel Medical Center	3%
Lenox Hill Hospital	2%
Long Island Jewish Medical Center	3%
Maimonides Medical Center	4%
Montefiore Medical Center	5%
Mount Sinai Hospital	4%
New York Hospital – Queens	3%
New York Methodist Hospital	3%
New York-Presbyterian – Columbia	3%
New York Presbyterian – Cornell	3%
NYUHC (Tisch Hospital and HJD)	3%
St. Luke’s-Roosevelt Hospital Center	4%
Staten Island University Hospital	3%
All Others	<u>57%</u>
	100%

Source: HealthShare 2006.

Utilization

The following chart sets forth utilization statistics (excluding routine nursery) for NYUHC for each of the three years ended December 31, 2004, 2005, and 2006, and for the eight-month periods ended August 31, 2006 and 2007:

NYU Hospitals Center Utilization Statistics

	<u>Eight-Month Period Ended</u>		<u>Year Ended December 31</u>		
	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Discharges	25,292	24,410	36,526	37,420	38,751
Patient Days	151,342	152,261	223,597	247,517	257,844
Average Length of Stay (in Days)	6.0	6.2	6.1	6.6	6.7
Average Daily Census	623	627	613	678	706
Average Beds Available	812	895	899	880	880
Percent of Occupancy	75%	70%	80%	77%	80%
Emergency Room Visits*	17,610	17,292	25,328	24,682	24,400
Clinic Visits	65,244	67,985	95,359	93,502	100,022
Ambulatory Surgery Visits	17,319	16,867	25,613	25,843	24,206
Cancer Center Visits	95,993	88,016	134,282	120,275	49,217

Source: NYUHC.

* Excludes patients who were admitted to the hospital through the Emergency Room.

Summary of Historical Revenues and Expenses

The following selected consolidated financial data of NYUHC and CCC550 for the years ended December 31, 2004, 2005, and 2006 are derived from audited financial statements, which have been audited by Ernst & Young LLP, independent auditors, except for the 2006 and 2005 financial statements of CCC550, a consolidated subsidiary, which were audited by another independent auditor. The financial data for the eight month periods ended August 31, 2007 and 2006 are derived from unaudited financial statements. Operating

results for the eight months ended August 31, 2007 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2007. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information included in Appendix B-1 to this Official Statement and under the “Management’s Discussion of Recent Financial Performance,” as well as the unaudited interim consolidated financial statements and related notes for the eight month period ended August 31, 2007 included in Appendix B-2.

Summary of Consolidated Historical Revenues and Expenses of NYU Hospitals Center*
(dollars in thousands)

	(Unaudited) Eight-Month Period Ended <u>August 31</u>		<u>Year Ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues	\$755,075	675,029	\$1,035,159	\$992,785	\$879,773
Expenses Before Depreciation, Amortization, Interest Expense and Other Item	<u>688,028</u>	<u>624,517</u>	<u>954,495</u>	<u>917,119</u>	<u>819,633</u>
Excess of Operating Revenues over Expenses Before Depreciation, Amortization, Interest Expense and Other Item	67,047	50,512	80,664	75,666	60,140
Interest Expense	13,083	10,455	13,792	14,836	15,188
Depreciation and Amortization	28,795	26,538	39,890	40,116	35,875
Loss on Refinancing of Debt	<u>3,278</u>	<u>-</u>	<u>10,800</u>	<u>-</u>	<u>1,106</u>
Excess of Operating Revenues Over Operating Expenses Before Other Changes in Unrestricted Net Assets	21,891	13,519	16,182	20,714	7,971
Asset Retirement Obligation	-	-	(1,906)	-	-
Net Unrealized Gains on Investments and Interest Rate Swap Agreements	2,041	1,147	3,834	1,403	1,169
Net Change in Affiliate Receivable	-	-	-	805	(1,195)
Change in Additional Minimum Pension Liability	-	-	8,910	(17,753)	(4,499)
Contributions for Capital Asset Acquisitions	-	-	2,470	1,694	570
Net Assets Released from Restrictions	<u>91</u>	<u>167</u>	<u>1,239</u>	<u>4,897</u>	<u>(1,208)</u>
Net Increase in Unrestricted Net Assets	\$24,023	\$14,833	\$30,729	\$11,760	\$2,808

Source: Audited financial statements of NYUHC for the years ended December 31, 2004, 2005 and 2006 and unaudited interim financial statements for the eight-months ended August 31, 2007 and 2006.

*Includes the results of operations of CCC550, which is not a Member of the Obligated Group.

Management's Discussion of Recent Financial Performance

Overview

From 2004 through 2006, NYUHC's financial performance improved from an increase in unrestricted net assets of \$2.8 million in 2004 to an increase in unrestricted net assets of \$30.7 million in 2006. Over the same three year period, NYUHC's excess or deficiency of its operating revenues over operating expenses before other changes in unrestricted net assets (the "Operating Indicator") increased from \$8.0 million in 2004 to \$16.2 million in 2006. For the eight month period ended August 31, 2007, compared to August 31, 2006, the Operating Indicator increased by \$8.4 million, and the net increase in the unrestricted net assets increased by \$9.2 million.

Eight Month Periods Ended August 31, 2007 and August 31, 2006

For the eight months ended August 31, 2007, NYUHC recorded an Operating Indicator of \$21.9 million and a \$24.0 million net increase in unrestricted net assets compared with an Operating Indicator of \$13.5 million and a net increase in unrestricted net assets of \$14.8 million for the eight months ended August 31, 2006. These results provide for an increase of \$8.4 million in the Operating Indicator and an increase of \$9.2 million in the net change in unrestricted net assets.

For the eight months ended August 31, 2007, NYUHC recorded total operating revenue of \$755.1 million: 63% from inpatient operations; 29% from outpatient operations; and 8% from other sources. As compared to the eight months ended August 31, 2006, total operating revenue increased \$80.0 million, or 12%, while net patient revenue increased by \$69.8 million or 11%. Management attributes the increase in net patient revenue primarily to continued growth in the ambulatory services other than clinic visits, inpatient and outpatient rate increases, and continued improvements in revenue realization through revenue cycle initiatives. See "Liquidity" below.

Operating expenses for the eight months ended August 31, 2007 increased 11% to \$733.2 million compared with \$661.5 million for the eight months ended August 31, 2006. Operating expenses were comprised of: 52% salaries and benefits; 40% supplies; 4% depreciation and amortization; 2% interest; and 2% bad debt expense. Management attributes these increases primarily to the growth in inpatient and ambulatory volume, increased employee salary and benefit costs, medical supplies and purchased services.

Years Ended December 31, 2005 and 2006

For the year ended December 31, 2006, NYUHC recorded an excess of operating revenues over expenses before other changes in unrestricted net assets of \$16.2 million and a \$30.7 million net increase in unrestricted net assets after accounting for such items compared with an excess of operating revenues over expenses before other changes in unrestricted net assets of \$20.7 million and a net increase in unrestricted net assets of \$11.8 million for the year ended December 31, 2005. In 2006, NYUHC recorded a \$10.8 million loss on refinancing of debt for the Series 2000B bond refinancing (reported as an other item in the statement of operations). This resulted in a \$4.5 million decrease in the Operating Indicator and an increase of \$19.0 million in the net change in unrestricted net assets from December 31, 2005 to December 31, 2006. The 2006 performance equates to an operating margin of 1.6% compared to 2.1% for the year ended December 31, 2005.

For the year ended December 31, 2006, NYUHC recorded total revenue of \$1.0 billion: 64% from inpatient operations; 27% from outpatient operations; and 9% from other sources. As compared to the year ended December 31, 2005, net patient revenue increased by \$50.0 million or 6%. Management attributes this increase primarily to continued growth in volume at the Cancer Center, inpatient and outpatient rate increases and continued improvements in revenue realization through revenue cycle initiatives. Inpatient volume decreased 2% despite planned reductions in inpatient rehabilitation volume related to a new Medicare rule, commonly referred to as the "75% rule." Under the 75% rule, in order to be classified as an inpatient rehabilitation facility, 75% of the total patient population in a rehabilitation hospital or unit must require treatment for one or more of 13 diagnostic categories. The 75% rule is currently being phased in and will be

fully implemented for cost reporting periods beginning on or after July 1, 2008. Failure to meet the 75% rule could reduce the reimbursements received from Medicare.

Operating expenses for the year ended December 31, 2006 rose 3.7% to \$1.0 billion compared with \$972.1 million for the year ended December 31, 2005, excluding the loss on refinancing of debt. Operating expenses were comprised of: 53% salaries and benefits; 39% supplies; 4% depreciation and amortization; 1% interest; and 3% bad debt expense. Management attributes these increases primarily to the increase in ambulatory volume, increased employee salary and benefit costs, medical supplies and purchased services.

Years Ended December 31, 2004 and 2005

For the year ended December 31, 2005, NYUHC recorded an excess of operating revenues over expenses before other changes in unrestricted net assets of \$20.7 million and a \$11.8 million net increase in unrestricted net assets after accounting for such items compared with an excess of operating revenues over expenses before other changes in unrestricted net assets of \$8.0 million and a net increase in unrestricted net assets of \$2.8 million for the year ended December 31, 2004. In 2004, NYUHC recorded a \$1.1 million loss on refinancing of the Series 2000D bonds (reported as an other item in the statement of operations). These results provide for an increase of \$12.7 million in the Operating Indicator and an increase of \$9.0 million in the net change in unrestricted net assets. This performance equates to an operating margin of 2.1% for the year ended December 31, 2005, compared to a 0.9% operating margin for the year ended December 31, 2004.

For the year ended December 31, 2005, NYUHC recorded total revenue of \$992.8 million: 66% from inpatient operations; 23% from outpatient operations; and 11% from other sources. As compared to the year ended December 31, 2004, net patient revenue increased by \$85.6 million or 11%. Management attributes this increase primarily to continued growth in the Cancer Center, inpatient and outpatient rate increases and continued improvements in revenue realization through revenue cycle initiatives. The Cancer Center's net revenue for the year ended December 31, 2005 was \$95.9 million as compared to \$45.0 million for the year ended December 31, 2004. This is reflective of the Cancer Center's first full year of operations at the 34th Street location (opened in July 2004) and an overall increase in services provided. Excluding the increase in the Cancer Center's net revenue, NYUHC generated an increase in net revenues of \$34.7 million, or a 4% increase in net patient revenue over the year ended December 31, 2004. Inpatient volume decreased 3% primarily due to a reduction in obstetrics and rehabilitation discharges as compared to the year ended December 31, 2004. Management attributes this primarily to planned reductions in inpatient rehabilitation volume related to the Medicare "75% Rule" and reduction in maternity volume related to the departure of a group of four obstetricians. However, medical/surgical discharges increased 1% as compared to the year ended December 31, 2004, due primarily to volume growth in cardiology, general surgery, and neurosurgery. This yielded a 1% increase in case mix acuity for the year ended December 31, 2005 of 1.79 vs. 1.78 for the year ended December 31, 2004.

Operating expenses for the year ended December 31, 2005 rose 12% to \$972.1 million compared with \$871.8 million (including the loss on refinancing of debt) for the year ended December 31, 2004. Operating expenses were comprised of: 53% salaries and benefits; 38% supplies; 4% depreciation and amortization; 2% interest; and 3% bad debt expense. Management attributes these increases primarily to the expansion of the Cancer Center, increased employee salary and benefit costs, medical supplies and purchased services. Operating expenses for the Cancer Center totaled \$84.0 million and \$43.4 million for the year ended December 31, 2005 and 2004, respectively. Excluding the effects of the increase in operating expenses relating to the Cancer Center, there was an increase in total operating expenses of \$59.7 million, or a 7% increase, over the year ended December 31, 2004.

Liquidity

The table below indicates the days cash on hand for NYUHC as of December 31, 2004, 2005, and 2006 as well as August 31, 2006 and 2007, as calculated pursuant to the Master Indenture. All dates prior to January 1, 2006 (the effective date of the full asset merger with HJD) have been adjusted to include HJD.

	<u>August 31, 2007</u>	<u>August 31, 2006</u>	<u>Dec 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Dec 31, 2004</u>
Days Cash on Hand	64	41	59	38	30

During 2005, Management completed a restructuring of the revenue cycle process both at the patient intake (or “front-end”) and payor denial prevention and recovery (or “back-end”) that enhanced management accountability for both areas in NYUHC’s Patient Financial Services. The restructuring has begun to yield improvements in revenue cycle performance, including a reduction in days in patient accounts receivable and initial denial rates.

During 2000, NYUHC’s retirement program was changed to offer current employees participating in the defined benefit pension plan an option to participate in a 403(b) annuity plan or to continue participating in the defined benefit plan. Slightly less than 60% of the affected employees chose to join the 403(b) plan, resulting in a curtailment in the defined benefit plan. Newly hired employees have the option to enroll in the 403(b) annuity plan.

Over the period 2002 through 2006, NYUHC incurred \$29.1 million in charges for additional minimum pension funding liabilities, primarily due to declines in the discount factor as a result of declining market interest rates. On August 17, 2006, the Pension Protection Act of 2006 was signed into law by Congress. This legislation requires increased disclosure of a plan’s funded status to its participants and imposes certain benefit limitations based on a plan’s funded status. The most significant requirement of this Act is to require all plans to achieve a 100% funded level of a plan’s obligation within the next 7-years as opposed to a 90% level, which is currently permitted. Accordingly, NYUHC is subject to potentially significant defined benefit plan contributions over this time period. As such contributions are affected by various factors, including, but not limited to, interest rate discount factors and the rate of return on plan assets, the ultimate impact of this Act cannot be determined at this time. In 2007, NYUHC contributed \$33.2 million to its defined benefit pension plan; \$32.0 million was financed with a taxable commercial loan and the balance of \$1.2 million was paid from working capital. See “Current Developments” for a further description of this loan.

Reimbursement Methodologies

Medicare

Medicare covers hospital services for eligible individuals who are elderly, disabled or subject to certain chronic conditions. Medicare pays acute care hospitals, such as NYUHC, for most general medical/surgical services provided to eligible inpatients under a prospective payment system (“PPS”) known as “inpatient PPS.” Under the inpatient PPS, hospitals receive a predetermined payment amount for each Medicare discharge. This PPS payment is a standard national amount based on the diagnostic related group (“DRG”) for the discharge subject to a geographic adjustment that takes into account wage differentials. DRGs classify treatments for illnesses according to the estimated costs of hospital resources necessary to furnish care for each patient’s principal diagnosis and establish a payment amount for that diagnosis treatment group. Hospitals are thus at financial risk for providing services to a patient at an actual cost greater than the applicable DRG payment. DRG weights are recalibrated annually. Beginning in federal fiscal year 2007, the inpatient PPS system is being revised so that the relative weights of the DRG are determined based upon estimated hospital costs rather than hospital charges. The Centers for Medicare & Medicaid Services (“CMS”) has transitioned implementation of the weights over a three year period. During federal fiscal year 2008, the Medicare program will pay hospitals for inpatient services based on a blend of one-third charge-based weights

and two-thirds hospital cost-based weights for the DRGs. In federal fiscal year 2009, hospitals will be paid based solely on cost-based DRG weights.

CMS also is in the process of implementing a new DRG system intended to ensure that payments more accurately reflect the costs of services provided by hospitals by better recognizing the severity of a patient's illness. The new DRG system, referred to as the Medicare-Severity DRGs ("MS-DRGs"), retains the basic logic of the current system but will revise the complication or comorbidity list and create 745 new DRGs based on the presence or absence of a complication or comorbidity. The 745 new severity-adjusted DRGs will replace the current 538 DRGs through a two year phase-in beginning in federal fiscal year 2008. It is expected that payments will increase for hospitals serving more severely ill patients and will decrease for hospitals serving patients who are less severely ill. In addition, CMS is changing the way it pays for medical devices that are recalled or replaced at no cost or at reduced cost to the hospital. The DRG payment historically included payment for medical devices, even if the devices were recalled and replaced at no cost or at a reduced cost to the hospital. However, the new rule reduces Medicare's payment prospectively when hospitals use a recalled or replacement device at no cost or with partial credit.

DRG rates are updated annually by the hospital market basket percentage increase, which is the measure of the inflation experienced by hospitals in purchasing the goods and services they need to provide inpatient services. Historically, the increases to the DRG rates have often been lower than the percentage increases in the costs of goods and services purchased by hospitals. Beginning October 1, 2004, the annual market basket increase has been contingent upon a hospital's submission of certain quality of care measures. Hospitals must report specific quality measures for inpatient services and satisfy a certain data validation threshold in order to receive the full market basket percentage increase. CMS recently expanded the list of quality measures that hospitals need to report in calendar year 2008 in order to qualify for the full market basket update in federal fiscal year 2009. These include measures on patient satisfaction with hospital care and risk-adjusted outcome measures. Hospitals that fail to report this quality information will receive a 2% reduction in their market basket updates. The reduction affects only the year in which the hospital failed to submit its data. NYUHC submitted the quality data necessary to obtain full inpatient rate increases in 2005 and 2006.

CMS also has implemented a provision of the Deficit Reduction Act of 2005 (the "DRA") that aims to prevent Medicare from paying hospitals for the additional costs of treating a patient who acquires a condition (including an infection) during a hospital stay. The DRA requires hospitals to begin reporting diagnoses that are present on the admission of patients beginning with discharges on or after October 1, 2007. CMS has identified eight conditions that must be identified upon admission. CMS intends to add three further conditions to the list of diagnoses that must be reported upon admission next year. Beginning in federal fiscal year 2009, Medicare will not pay hospitals for cases with these conditions at the higher rate unless the diagnosis was present upon admission.

Section 5001(b) of the DRA requires CMS to implement a plan for value-based purchasing for Medicare services purchased from "subsection d" hospitals (as defined in 42 U.S.C. § 1395ww(d)(1)(B)) beginning in 2009. CMS has solicited input on the nature and scope of such a value-based purchasing initiative and has stated its intent to expand programs that increase clinical quality and transparency initiatives.

Certain hospitals, including NYUHC, receive additional payment from Medicare for the direct costs of graduate medical education ("GME"). Direct graduate medical education costs ("DGME") are reimbursed under a prospective methodology based on a hospital-specific approved amount per resident. Medicare also makes additional payments to PPS teaching hospitals for the indirect medical education ("IME") costs attributable to their approved graduate medical education programs. The IME payment is an additional yearly payment calculated as a percentage add-on to the inpatient DRG payment. The payment is based on a formula that incorporates the hospital's ratio of residents to beds in use and total inpatient PPS revenue. DGME and IME reimbursement is subject to certain limitations, including a cap on a hospital's reimbursable residents based on the number of residents in a base year. Congress has repeatedly sought to limit GME reimbursement. For example, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("MMA") contained provisions for the reduction of resident caps in hospitals with resident counts below the cap and

redistribution of those resident slots to other hospitals, particularly rural hospitals. CMS too has sought to limit DGME and IME payments. In August 2001, CMS amended its IME regulation to provide that hospitals may not include residents in the IME computation to the extent that the residents are engaged exclusively in research and not in patient care activities. In August 2006, CMS further excluded from the IME resident count (and from the GME resident count for residents training in non-hospital sites) resident time spent in didactic activities. In 2006, NYUHC received reimbursement in the amount of \$65.5 million for DGME and IME. NYUHC gained resident slots under the MMA.

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

Hospitals also receive an additional per discharge payment based on a federal rate (with certain adjustments) to reimburse hospitals for capital costs. There are add-on amounts to this payment for certain types of hospitals and for certain costs. In addition to a geographic adjustment factor, there are increases to hospitals located in large urban areas (the "urban add-on payment"). The capital payment rate is further increased for hospitals serving a disproportionately large number of low-income patients and for the indirect medical education costs incurred by teaching hospitals. Also, the federal rate is adjusted each year based on CMS's calculation of the change in prices of capital inputs as adjusted by several factors (the "annual payment update"). Recently, CMS proposed to provide a zero annual payment update for urban hospitals. Instead, however, CMS will provide a full update for all hospitals but will eliminate the urban add-on payment and will discontinue the teaching adjustments to capital payments over a three year period.

Certain hospital inpatient facilities or units providing specialized services, such as rehabilitation or psychiatric units, are reimbursed under different reimbursement methodologies. Medicare recently has implemented a distinct PPS for inpatient rehabilitation services. Patients receiving rehabilitation services are classified into case mix groups based upon impairment, age, co-morbidities and functional capability. Hospitals receive a predetermined amount per discharge based on the patient's case mix group as adjusted for geographic area wage levels, low-income patients, rural areas and high-cost outliers. Medicare also is implementing a distinct PPS for inpatient psychiatric services whereby hospitals will receive a predetermined per diem payment with adjustments for factors such as patient characteristics, DRG, hospital teaching status and geographic area wage levels. This psychiatric PPS system is being phased in over four years (beginning in 2005). Rehabilitation and psychiatric PPS rates are also subject to updates. There is no assurance that these payments will be sufficient to cover the actual cost of providing hospital services.

Most hospital outpatient services are also reimbursed on a PPS basis. Payments under the outpatient PPS ("OPPS") are based upon ambulatory payment classification ("APC") groups. An APC group includes various clinically similar services with a single rate for all services in the group. CMS is implementing several changes to the APC payment system. The Medicare Payment Advisory Commission ("MedPAC") recommended broadening the OPPS bundles to encourage hospitals to provide services more efficiently. Accordingly, CMS proposed to extend the current packaging approach present in the APC groupings to additional ancillary services that it views as integral to the performance of primary diagnostic and treatment procedures. For calendar year 2008, CMS has proposed to package payment for seven categories of supportive ancillary services into the primary diagnostic or treatment procedure with which they are performed. CMS also is proposing to introduce one bundled payment for several major services through composite APCs. Composite APCs would make a single payment for the totality of hospital outpatient care provided in an encounter. CMS further is revising the APC payment and coding structure for drug administration services to allow hospitals to be paid separately for additional hours of infusion beyond the initial hour of infusion. CMS intends that these changes will pay hospitals more accurately for complex and lengthy drug administration

services. There can be no assurance that the hospital OPPS rate will be sufficient to cover the actual costs of outpatient hospital services.

APC rates are subject to a geographic adjustment that takes into account wage differentials and are adjusted annually. APCs also are adjusted based on the hospital inpatient market basket index. The Tax Relief and Health Care Act of 2006 (“TRHCA”) required the Secretary of Health and Human Services to develop measures to make it possible to assess the quality of care (including medication errors) provided by hospitals in outpatient settings. In order to receive the full outpatient prospective payment system market basket update in federal fiscal year 2009, hospitals will be required to report specified outpatient quality measures for services furnished in the hospital outpatient department in calendar year 2008. Hospitals that fail to do so will incur a reduction in their annual outpatient prospective payment system update by 2%. The reduction affects only the year in which the hospital failed to submit its data.

CMS also is revising its payment of drugs and biologicals in the outpatient setting. The Medicare statute requires CMS to pay separately for drugs and biologicals that cost \$50 or more per administration and to bundle those costing less than \$50 into the payments for the procedures for which they are associated. CMS recently issued regulations mandating the separate payment for drugs, biologicals, radiopharmaceuticals and anti-nausea drugs costing \$55 or more per day. Payments for other drugs continue to be bundled into payments for their associated procedures. In addition, CMS recently decided to reduce the per diem payment for partial hospitalization services in hospital outpatient departments by 5% in calendar year 2007. There is no assurance that CMS will not make a greater reduction in this and other payments in 2008.

The TRHCA requires the expansion of the Medicare Recovery Audit Contractor (“RAC”) program under which contingent fee compensated RACs conduct audits to identify Medicare overpayments and underpayments to all states by 2010. The RAC program is intended to detect and correct improper Medicare payments by reviewing claims data received from a hospital’s fiscal intermediary on a quarterly basis. The RAC auditors are authorized to look back four years from the date the claim was paid and to review the appropriateness of each claim by applying the same standards and guidance as would a Medicare contractor at the time. A hospital’s failure to submit a requested medical record to a RAC within 45 days, absent good cause for delay, results in disallowance of a claim and demand for recoupment of any reimbursement paid.

Medicaid, Blue Cross and Commercial Insurance Carriers

In New York State, Medicaid is a jointly funded federal-state-local program administered by the State. The federal share of the State’s Medicaid expenditures is approximately 50%. Every year, NYUHC’s Medicaid reimbursement rates for the forthcoming year must be certified by the New York State Commissioner of Health and approved by the State Director of Budget, recognizing economic and budgetary considerations. Since its application for a federal Medicaid waiver under Section 1115 of the Social Security Act was first approved in 1997, the State of New York has enrolled most of its Medicaid population into private managed care plans. The waiver has been extended several times since its inception. The current waiver, approved in 2006, expires on September 30, 2011. Under the waiver, Medicaid recipients are required to enroll in one of several managed care options, unless they fall into an exempt or excluded category enumerated in the New York statute. Management of NYUHC believes that Medicaid fee-for-service payments will likely constitute a reduced percentage of NYUHC’s inpatient revenue as Medicaid managed care plans contract with hospitals on a negotiated-rate basis.

Prior to January 1, 1997, New York hospitals’ non-Medicare inpatient revenue was based on payment systems regulated in accordance with the New York Prospective Hospital Reimbursement System (“NYPHRM”). Hospitals were free to negotiate special rates and payment mechanisms outside the NYPHRM mandates only with health maintenance organizations certified under Article 44 of the New York Public Health Law. On January 1, 1997, the New York Health Care Reform Act (“NYHCRA”) took effect and deregulated inpatient hospital payment rates for all non-Medicare payors except Medicaid and certain miscellaneous payors (such as No-Fault and Workers’ Compensation). Under NYHCRA, all non-Medicare payors, except those covered by Medicaid, No-Fault and Workers’ Compensation, are billed at privately negotiated, hospital-specific contracted rates, or, if no contracts have been negotiated, at the hospital’s established charges. This

change has materially affected the New York health care market by greatly increasing competition among acute care hospitals.

NYHCRA establishes mechanisms to finance so-called “public goods” consisting of funding for hospital indigent care and GME costs, as well as health care initiatives such as workforce recruitment and retention payments, Child Health Plus and various public health initiatives. Third-party payors are encouraged, through fiscal incentives, to contribute certain surcharge and assessment amounts directly to public good pools, although they retain the option of paying these amounts, plus penalties, directly to designated providers at the point of service. The Bad Debt and Charity Care, Indigent Care and Disproportionate Share (“Indigent Care”) pool provides funding to hospitals for bad debt and charity care and is supported by surcharges on hospital and clinic services and transfers from State and federal Medicaid funds. The Indigent Care pool is distributed according to a consistent, state-wide distribution methodology, with certain high-need hospitals entitled to higher coverage of their uncompensated care losses. The GME or professional education pools are distributed on a regional basis. Health care initiatives pay for special projects, particularly expansion of coverage for children and other special populations.

As part of the 2007-2008 budget, the State legislature extended NYHCRA through March 31, 2008. As a result of this most recent legislation, the worker recruitment and retention funding pool was reduced by \$37 million, a gross receipts tax of 0.35% that previously had been part of NYHCRA was allowed to expire, a 1% assessment on gross hospital inpatient care services revenue was extended, and the pool for GME payments was reduced by \$24 million. NYUHC receives significant payments from programs created by NYHCRA, and no assurances can be given that substantial changes in these programs will not occur or that payments will remain at levels comparable to the present level whether NYHCRA is extended further or allowed to expire.

See also “PART 8 - RISK FACTORS AND REGULATORY CHANGES THAT MAY AFFECT THE OBLIGATED GROUP – State Budget” and “- Medicare and Medicaid Managed Care.”

Managed Care

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

The majority of managed care reimbursement is paid on either a discounted fee-for-service basis or case rate according to contracted rates. Financial terms are established based upon the size of health plan membership and the ability of the company to direct patients to NYUHC. Separate rates are established for each product line (Medicare, Medicaid, indemnity, HMO, and PPO). Most contracts are either on a DRG-based per case rate for all acute services or include per diem rates for general inpatient services and an extensive number of DRG-based case rates for tertiary and quaternary care. Psychiatric and Rehabilitation services are generally negotiated on a per diem basis. Global rates, which are composite rates that include hospital and physician services, have been established for select cardiac and transplant services. Outpatient services are reimbursed on a percent of charges or fixed fee schedule basis.

NYUHC has taken steps to address the implementation of mandatory Medicaid enrollment in New York City through contracting initiatives and operational re-engineering. Most Medicaid managed care members are enrolled with Prepaid Health Services Plans (“PHSPs”). PHSPs are managed care companies that were enabled by New York State as part of the federal waiver it received to enroll Medicaid eligible patients in managed care. NYUHC has an ownership interest in Healthfirst, one of the largest PHSPs in New York City.

Current Developments

During the next few years, NYUHC faces a number of challenges as it completes its reintegration with NYUSM following its separation from Mt. Sinai. Management believes that successful response to these challenges will be critical to NYUHC's ability to compete successfully in its market-place.

First, NYUHC is entering a time of leadership transition. Robert Grossman, M.D. became Chief Executive Officer of NYUHC and Dean of NYUSM on July 1, 2007, and has appointed a substantial number of new managers, many of whom were previously serving NYUHC. See "Executive Staff" above.

Second, NYUHC faces a critical need to upgrade and/or replace its principal clinical facilities. A trustee-led committee has addressed this issue over the past year and has adopted a strategic facilities plan to address this need. This plan also addresses the evolving trend of change of venue on care from inpatient to outpatient/ambulatory care. Full implementation of the plan will require a major new development campaign as well as additional borrowing in the future. See "Future Facilities Plans and Additional Borrowing" above.

Third, NYUHC needs to maintain positive financial performance and adequate liquidity despite the need to make significant investments in its physical plant and to fund material pension liabilities. See "Liquidity" above. While there can be no assurance that NYUHC will successfully meet these challenges, Management believes that NYUHC continues to make progress on these issues.

As described under "Liquidity" above, NYUHC is subject to increases in defined benefit plan contributions as a result of the Pension Protection Act of 2006. In January, 2007, NYUHC entered into a taxable borrowing with two commercial banks to borrow \$32.0 million in order to fund its calendar year 2007 pension contribution requirement. The maturity date on this borrowing is December 31, 2011, and the loan is secured by the Pension Obligation on a parity with all other Obligations issued under the Master Indenture. See "Part 1 - INTRODUCTION - Security for the Bonds."

In September 2006, Statement of Financial Accounting Standards No. 158 ("SFAS 158"), Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, was issued by the Financial Accounting Standards Board ("FASB"). SFAS 158 will require employers with defined benefit pension and/or postretirement plans to record the projected benefit obligation for each respective plan on its balance sheet versus the currently recorded accumulated benefit obligation. Not-for-profit organizations, including NYUHC, are required to adopt this standard in calendar year 2007. As such liability is affected by various factors, including, but not limited to, interest rate discount factors, rate of return on plan assets and contributions made to the plan, the ultimate amount of recording this standard cannot be determined at this time. NYUHC anticipates having to record an additional liability in calendar year 2007 for both its defined benefit pension and postretirement plans. This potential liability is a non-cash reduction, outside of the operating indicator, to unrestricted assets in the statement of operations.

Asset Allocation

The following table describes the fair value of NYUHC's marketable securities and other investments at August 31, 2007, December 31, 2006 and December 31, 2005 (dollars in thousands):

	(Unaudited)		
	<u>August 31, 2007</u>	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Cash and cash equivalents	\$ 3,342	\$ 2,637	\$ 2,000
Fixed income securities	4,617	9,475	11,159
NYU investment pool (NYUHC-designated)	40,388	36,634	22,239
Other	<u>11,364</u>	<u>6,404</u>	<u>3,196</u>
Total Investments*	<u>\$59,711</u>	<u>\$55,150</u>	<u>\$38,594</u>

Source: NYUHC.

* Total investments of \$8.8 million, \$8.8 million and \$13.9 million were permanently restricted at August 31, 2007, December 31, 2006, and December 31, 2005, respectively.

Outstanding Indebtedness

NYUHC's outstanding indebtedness as of December 31, 2006 is described in footnote 6 to the audited financial statements included as Appendix B-1 of this Official Statement. In order to enhance its liquidity, on December 29, 2006, NYUHC entered into an agreement with a commercial bank to increase a working capital loan commitment from \$15.0 million to \$35.0 million. NYUHC's total borrowing on this line of credit was \$29.0 million against the \$35.0 million available line as of August 31, 2007. This loan is not secured by an Obligation. In addition, in 2007, the Dormitory Authority of the State of New York issued its \$165,300,000 Dormitory Authority of the State of New York NYU Hospitals Center Revenue Bonds, Series 2007A for the benefit of NYUHC. Further, during January 2007, NYUHC entered into a \$32.0 million loan secured by the Pension Obligation, on a parity with all other Obligations issued under the Master Indenture. See "Current Developments."

Employees and Benefit Programs

As of August 31, 2007, NYUHC had 6,509 full-time equivalent employees, including 1,357 full-time equivalent registered nurses and 25 full-time equivalent licensed practical nurses. NYUHC employs approximately 2,439 employees represented by Service Employees International Union Local 1199 ("Local 1199"). These employees include selected registered nurses, professional staff (physical therapists, pharmacists, social workers, etc.), technical staff (clinical laboratory technicians/technologists, x-ray technicians, EKG technicians, pharmacy technicians, etc.), ancillary staff (licensed practical nurses, physical therapy and occupational therapy assistants, pharmacy aides, etc.) and service staff (building service staff, food service staff, etc). NYUHC's Collective Bargaining Agreement with Local 1199 expires September 30, 2011. NYUHC also employs approximately 126 employees represented by the International Brotherhood of Teamsters, Local 810 ("Local 810"). These employees include skilled craftpersons such as electricians, plumbers, painters, refrigeration mechanics and carpenters. NYUHC's Collective Bargaining Agreement with Local 810 expires June 30, 2012. In addition, NYUHC employs approximately 90 employees represented by Local One of the Security Officers Union ("Local One"). These employees include security officers, security specialists and security sergeants. The Collective Bargaining Agreement with Local One expires September 13, 2009. NYUHC also employs approximately 9 security officers at the NYUHJD campus who are represented by the Brotherhood of Security Personnel Officers and Guards International Union (the "Brotherhood"). The collective bargaining agreement with the Brotherhood expires January 31, 2010. Management believes its relationship with its employees to be generally good.

Related Entities

In addition to its affiliation with NYUSM, discussed above, NYUHC has formed certain corporations with affiliates and other entities, as described below, which serve a wide range of purposes. The related entities include: UMSO PHO, L.L.C., a limited liability company formed by NYUHC and the University

Physician Network (“UPN”), a for-profit entity composed of physicians on the medical staff of NYUHC, which was established to provide a forum for NYUHC and UPN to discuss and develop collaborative efforts between them; 34th Street Clinical Cancer Center, Inc., a not-for-profit corporation created to promote and support the diagnosis and treatment of cancer; and Healthfirst, Inc., a not-for-profit corporation organized under New York State law that is owned by 22 voluntary hospitals in New York City and Long Island that owns a number of subsidiary health plans that are licensed by New York State and CMS to provide health benefits to Medicaid, Medicare and commercial beneficiaries. In addition, NYUHC is the sole owner of a captive insurance company, CCC550, and has ownership interests in certain other captive insurance companies. See footnote 7 within Appendix B-1.

THE AFOREMENTIONED RELATED ENTITIES ARE NOT MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, ARE NOT OBLIGATED ON THE SERIES 2007B BONDS, NOR ARE THEIR ASSETS OR REVENUES PLEDGED TO SECURE THE SERIES 2007B BONDS.

Alliances

NYUHC maintains relationships with numerous health care institutions and physician practice groups in the New York metropolitan area. These relationships contribute to the development of managed care initiatives and a community-based physician network, and enable NYUHC to initiate and participate in several joint clinical programs with the allied providers. NYUHC and the allied providers also work collaboratively in implementing quality-control initiatives and cost reduction strategies.

NYUHC is currently allied, for the purposes of residency training, with Bellevue Hospital Center, Lenox Hill Hospital, Memorial Sloan Kettering, Jamaica Hospital and the Manhattan Veterans’ Administration Medical Center. In addition, NYUHC is affiliated, for patient transfer purposes, with over 40 nursing home/long-term care facilities.

Through its affiliation with NYUSM, NYUHC has relationships with approximately 450 physicians who are employed by NYUSM’s faculty practice plans. See “Introduction and Background - Affiliation with NYU School of Medicine” above.

NYUHC from time to time considers possible acquisitions of or affiliations with other health care providers.

Financial Support of NYUSM

NYUHC has historically maintained close clinical and academic relationships with NYUSM. In furtherance of this relationship and in support of clinical, research, and teaching programs conducted jointly with the NYUSM, NYUHC provided financial support to NYUSM prior to the Combination, which totaled approximately \$120.0 million from 1998 to 2003. During the term of the Combination, NYUHC supported NYUSM primarily by providing services to NYUSM for which NYUSM was not required to reimburse NYUHC and by providing cash payments for the balance of the total support amount agreed upon. Effective July 1, 2003, NYUHC ceased to provide cash support to NYUSM and agreed to provide services to NYUSM on a fee-for-service basis.

As part of the continuing integration of operations of NYUHC and NYUSM following the separation from Mt. Sinai and the assumption by the University of sole corporate membership of NYUHC, NYUHC is in discussions with NYUSM about resumption of financial support. No specific level of support or methodology has been agreed upon, nor have the parties reached agreement upon the pre-conditions, if any, to such payments (e.g., the existence of an excess of revenues over expenses after giving effect to such financial support payments). Management anticipates, however, that there is likely to be a resumption of such financial support payments but that such payments will be contingent on NYUHC meeting certain operating income targets. For fiscal year 2008, NYUHC has budgeted a \$10.0 million payment to NYUSM. The amount of

such support payments are excluded from debt service coverage calculations under the Master Indenture, and there can be no assurance about the level or structure of such support payments.

Philanthropy

NYUHC and NYUSM have historically collaborated to raise money for their shared campus. In calendar years 2004, 2005 and 2006, NYUHC received cash contributions and pledges totaling \$16.5 million, \$33.4 million and \$67.4 million in philanthropic support, respectively. During the first eight months of 2007, NYUHC received \$8.8 million in philanthropy.

Licensure and Accreditation

NYUHC is licensed by the New York State Department of Health and accredited by the Joint Commission on Accreditation of Healthcare Organizations (“JCAHO”) for a three year period ending in August 2009. HJD is separately accredited by JCAHO for a three year period expiring in March 2010. The acute inpatient adult and pediatric rehabilitation programs are accredited by the Commission on the Accreditation of Rehabilitation Facilities (“CARF”). NYUHC also participates in the Medicare and Medicaid programs.

Professional and General Liability Insurance Program

NYUHC carries an all-risk property insurance policy on its buildings and contents, including fire and allied lines and boiler and machinery written on a replacement cost basis. NYUHC also carries commercial general liability insurance with a combined single limit of \$1 million per occurrence and \$3 million annual aggregate limit for property damage and bodily injury; vehicle liability and physical damage insurance covering its leased and owned vehicles; commercial crime and fidelity insurance; directors and officers liability insurance; and miscellaneous errors and omissions coverage. NYUHC also carries excess umbrella liability policies with a combined limit of \$50 million per occurrence/aggregate above the general liability policy. In addition to these policies, NYUHC maintains statutory workers’ compensation and disability insurance as required by law. NYUHC also maintains substantial professional liability insurance, which currently consists of a combination of captive insurance and commercial insurance. See Appendix B-1, footnote 7, for information concerning NYUHC’s professional liability insurance program, actuarial estimates relating to loss reserves, and the status of deferred premiums.

Litigation

Professional and general liability claims have been asserted against NYUHC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by the Management of NYUHC or by counsel to NYUHC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and such other claims may arise. It is the opinion of the Management of NYUHC, based on prior experience, that adequate insurance is maintained to provide for all significant professional liability losses that may arise, and that the eventual liability from general liability claims, if any, will not have a material adverse effect on the financial position or the results of operations of NYUHC or on its ability to make required debt service payments. There is no litigation pending or threatened against NYUHC (other than claims against which NYUHC is fully insured) that, in the opinion of the Management of NYUHC, would materially adversely affect NYUHC’s ability to meet its obligations with respect to the Series 2007B Bonds.

PART 8 - RISK FACTORS AND REGULATORY CHANGES THAT MAY AFFECT THE OBLIGATED GROUP

The following discussion of risks to holders of the Series 2007B Bonds is not intended to be exhaustive, but rather to summarize certain matters which could affect payment of the Series 2007B Bonds, in addition to other risks described throughout this Official Statement. Please note that the following risk factors

and regulatory considerations are described in the context of the Institution as the sole current Member of the Obligated Group. To the extent that additional entities become Members of the Obligated Group in the future, these risk factors and regulatory considerations would generally be applicable to the Obligated Group as a whole.

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

General

The Series 2007B Bonds are not a debt or liability of the State or any political subdivision thereof, but are special and limited obligations of the Authority payable solely from the Revenues which consist of payments payable by the Institution pursuant to the Loan Agreement, payments by the Obligated Group pursuant to the Series 2007B Obligation, the funds and accounts held by the Trustee pursuant to the Resolution (except the Arbitrage Rebate Fund) and the Series 2007B Resolution and certain investment income thereon. The Authority has no taxing power. No representation or assurance can be made that revenues will be realized from the Institution in amounts sufficient to provide funds for payment of debt service on the Series 2007B Bonds when due and to make other payments necessary to meet the obligations of the Institution. Further, there is no assurance that the revenues of the Institution can be increased sufficiently to match increased costs that may be incurred.

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

Future revenues and expenses of the Institution may be affected by events and economic conditions, which may include an inability to control expenses in periods of inflation, as well as other conditions such as demand for healthcare services; the capability of the management of the Institution; the receipt of grants and contributions; referring physicians' and self-referred patients' confidence in the Institution; and increased use of contracted discounted payment schedules with HMOs, PPOs and other payors. Other factors which may affect revenues and expenses include: the ability of the Institution to provide services required by patients; the relationship of the Institution with physicians; the success of the Institution's strategic plans; the degree of cooperation among and competition with other hospitals in the Institution's area; changes in levels of private philanthropy; malpractice claims and other litigation; economic and demographic developments in the United States and in the service areas in which facilities of the Institution are located; changes in interest rates that affect investment results; and changes in rates, costs, third-party payments (including, without limitation, Medicare and Medicaid program reimbursement) and governmental regulations concerning payment. All of the above referred to factors could affect the Institution's ability to make payments pursuant to the respective Loan Agreement and the Obligated Group's ability to make payments under the Series 2007B Obligation. See "PART 7 – NYU HOSPITALS CENTER" and the consolidated financial statements, related notes, and other financial information included in Appendix B-1, as well as the unaudited interim consolidated financial statements and related notes for the eight-month period ended August 31, 2007 included in Appendix B-2.

Legislative, Regulatory and Contractual Matters Affecting Revenue

The healthcare industry is heavily regulated by the Federal and state governments. A substantial portion of the Institution's revenue comes from governmental sources. Governmental revenue sources are subject to statutory and regulatory changes, administrative rulings, interpretations of policy, determinations by fiscal intermediaries, and government funding restrictions, all of which may materially increase or decrease the

rates of payment and cash flow to hospitals. In recent years, there have been frequent and significant changes in methods and standards used by government agencies to reimburse and regulate the operation of hospitals. No assurances can be given that further substantial changes will not occur in the future or that payments made under such programs will remain at levels comparable to the present levels or be sufficient to cover all existing costs. While changes are anticipated, the impact of such changes on the Institution cannot be predicted.

Legislation is periodically introduced in Congress and in the New York Legislature that could result in limitations on the Institution's revenue, third-party payments, and costs or charges, or that could result in increased competition or an increase in the level of indigent care required to be provided by the Institution. From time to time, legislative proposals are made at the Federal and State level to engage in broader reform of the healthcare industry, including proposals to promote competition in the healthcare industry, to contain healthcare costs, to provide national health insurance and to impose additional requirements and restrictions on healthcare insurers, providers and other healthcare entities. The effects of future reform efforts on the Institution cannot be predicted.

State Budget

New York State's 2007-2008 budget extends the New York Healthcare Reform Act of 1996 ("NYHCRA") through March 31, 2008. NYHCRA created a system of state-imposed assessments and surcharges on various categories of third party payors for healthcare services that fund annual state-operated pools for indigent care, healthcare initiatives, and professional education. Other funding for NYHCRA stems from conversion proceeds generated by the privatization of Empire Blue Cross and revenues from cigarette taxes. See "PART 7 – NYU HOSPITALS CENTER - Reimbursement Methodologies." The Institution receives significant payments from such pools, and no assurances can be given that substantial changes in these programs will not occur or that payments will remain at levels comparable to the present level whether NYHCRA is extended further or allowed to expire.

In connection with the adoption of the budget for the State's fiscal year 2005-2006, the Legislature authorized the creation of a "Commission on Healthcare Facilities in the Twenty-First Century" (commonly referred to as the "Berger Commission") charged with studying the State's hospital and nursing home systems and making recommendations for closure, resizing, conversion, consolidation and restructuring. In making recommendations, the Berger Commission considered hospital and nursing home capacity in each region of the State; the economic impact of rightsizing actions; capital debt of affected facilities; the existence of other healthcare providers in the region; the availability of services for the uninsured, underinsured, and Medicaid populations; and additional factors as determined by the Commissioner of Health or the Berger Commission. In its final report released on November 28, 2006 (the "Final Report"), the Berger Commission's recommendations targeted nearly 50 hospitals for restructuring and nine hospitals for closure. If and when the recommendations are fully implemented, the Berger Commission anticipates a reduction of approximately 4,200 hospital beds and 3,000 nursing home beds Statewide, while creating home and community-based alternatives to nursing home placement. Federal and State funds are expected to be available to assist, in part, with the costs of implementing the recommendations, assuming that any conditions requisite to such financing are met. In accordance with procedures established in the legislation creating the Berger Commission, the Governor approved the Final Report and the Legislature did not exercise its right provided by those procedures to reject the Final Report in its entirety on or before December 31, 2006. Therefore, the recommendations set forth in the Final Report are to be implemented by the Commissioner of Health, with full implementation scheduled for June 2008. Several lawsuits have been filed, and a temporary restraining order issued, challenging the authority of the Berger Commission, which, if successful, could affect implementation of some or all of the recommendations set forth in the Final Report. The Institution is not identified in the Final Report as an entity targeted for closure or restructuring or any kind.

Increased Costs and State Regulated Reimbursement

In recent years, substantial cutbacks in personnel and other cost cutting measures have been instituted at hospitals throughout the State. Generally, these cutbacks have been implemented to address the disparity between rising medical costs and reimbursement formulas, including those for Medicaid and other third party

payors. Rising healthcare costs have resulted from, among other factors, healthcare costs exceeding inflation, staff shortages, pharmaceutical costs and the highly technical nature of the industry. The Institution has been affected by the impact of such rising costs, and there can be no assurance that the Institution will not be similarly affected by the impact of additional unreimbursed costs in the future.

The State has adopted for Medicaid, workers' compensation and no fault insurance an inpatient hospital reimbursement system similar to the Medicare system. The financial viability of all healthcare facilities in the State is dependent, in part, upon, among other factors, the ability and willingness of the State Legislature and the State Department of Health to establish reimbursement rates under this hospital reimbursement system sufficient to reimburse the institutions at appropriate levels to meet their obligations. In recent years, a number of proposals to further limit or restrict the amounts provided for financing healthcare have been discussed and a number of related bills have been introduced in the State Legislature. In the future, similar proposals and bills, which could have an adverse impact on healthcare financing, may be adopted by the State Legislature.

Managed Care and Other Private Initiatives

Currently, the term "managed care" refers to all commercial relationships between payors and providers. The term covers the negotiated arrangement for prices and payment terms that a healthcare provider will accept from a payor on behalf of a covered individual. All prices and terms are carefully articulated in contracts between providers and payors. Prices and terms differ for each hospital and for each payor and, usually, for each product sold by each payor. For example, a payor may sell HMO, PPO, Medicare and Medicaid products to various populations. That payor will then have a unique price established with each individual hospital for every covered service offered for each product sold.

Typical payment methodologies that have been established include severity-adjusted case neutral rates; per diem rates for stays in a Medical/Surgical Unit, Intensive Care Unit, and Cardiac Care Unit; case rates for obstetric deliveries, open heart surgeries and other tertiary level services; discounts from full charges; and set fees for outpatient services. Management believes the Institution, on a yearly contracting basis, has developed equitable pricing arrangements with most of the payors with which it contracts. Some contracts contain provisions for advances and periodic interim payments as well as other terms that are financially acceptable to the Institution. However, these contracts have finite terms and are subject to renegotiation, and managed care payors are expected to continue to seek ways to reduce the utilization of healthcare services such as through the use of primary care physicians. Enrollment in managed care programs has increased, and managed care programs are expected to have a greater influence on the manner in which healthcare services are delivered and paid for in the future. In addition, some managed care organizations have been delaying reimbursements to hospitals, thereby affecting cash flows. The Institution's financial condition may be adversely affected by these trends.

Regulatory Reviews and Audits

The Institution, like other healthcare institutions, is subject to regulatory review, audit and investigation of its governmental reimbursement. Based on the results of such reviews, the Institution may be required to repay previously received reimbursement. One such audit is the Medicare Recovery Audit Contract Initiative. This review calls for a three-year recovery audit demonstration project in states with the highest per capita Medicare expenditure in order to test and ensure the accuracy of Medicare payments. The states under review for this demonstration project include New York, California and Florida. The review began at NYUHC in November 2005. The Institution cannot determine at this time whether the review will result in a material repayment obligation.

An informal industry-wide inquiry was commenced by the New York State Attorney General regarding amounts recognized as reserves, however denominated, on the institutional cost report and/or financial statement of New York's skilled nursing facilities and hospitals. The Institution has responded to this request. It is too early to determine whether the inquiry will take the form of a formal investigation or otherwise have a material adverse impact on New York hospitals, including the Institution.

Competition

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

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

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

Workforce Shortages

Workforce shortages are affecting healthcare organizations at the local, regional and national level, in part due to the fact that a smaller number of students are considering careers in nursing and the allied health professions than in the past. There can be no assurance that such workforce shortages will not continue or increase over time and adversely affect the Institution's ability to control costs and its financial performance.

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

Labor Relations and Collective Bargaining

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

Federal "Fraud and Abuse" Laws and Regulations

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

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

Federal False Claims Act

The criminal False Claims Act (“criminal FCA”) makes it illegal to submit or present a false, fictitious or fraudulent claim to the Federal government. Violation of the criminal FCA can result in imprisonment and/or a fine. The civil False Claims Act (“civil FCA”), one of the government’s primary weapons against healthcare fraud, allows the United States government to recover significant damages from persons or entities that submit fraudulent claims for payment to any Federal agency through actions taken by the United States Attorney’s Office or the Department of Justice. The civil FCA also permits individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or “whistleblowers,” can share in the damages recovered by the government.

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

Management of the Institution is not aware of any violations by the Institution of the FCA. However, there can be no assurances that the Institution will not be charged with, or found to have violated, the FCA and, if so, that any fines or other penalties would not have a material adverse effect on its operations.

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

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

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

A financial relationship, for purposes of the Stark Law and State Provisions (the Stark Law and State Provisions are hereinafter collectively referred to as “Stark”) is defined as either an ownership or investment interest in the entity or a compensation arrangement between the physician (or immediate family member) and

the entity. An ownership or investment interest may be through equity, debt, or other means and includes an interest in an entity that holds an ownership or investment interest in an entity providing the designated health services. Many ordinary business practices and economically desirable arrangements with physicians would constitute “financial relationships” within the meaning of Stark.

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

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

Regulation of Patient Transfer

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

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

Civil Monetary Penalty Act

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

Healthcare providers may be found liable under the CMPA even when they did not have actual knowledge of the impropriety of their action. Knowingly undertaking the action is sufficient. Ignorance of the Medicare regulations is no defense. The imposition of civil money penalties on a healthcare provider could have a material adverse impact on the provider’s financial condition.

Exclusions from Medicare or Medicaid Participation

The Secretary of DHHS is required to exclude from governmental program participation (including Medicare and Medicaid) for not less than five years any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state healthcare program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, felony fraud against any Federal, state or locally financed healthcare program or an offense relating to the

illegal manufacture, distribution, prescription or dispensing of a controlled substance. DHHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty or other financial misconduct relating either to the delivery of health care in general or to participation in a Federal, state or local government program.

Enforcement Activity

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

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

Increased Enforcement Affecting Academic Research

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

Department of Health Regulations

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

Other Governmental Regulation

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

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

OIG Compliance Guidelines

In 1998, the OIG published Compliance Program Guidance for the hospital industry which it supplemented in 2005 with the publication of the Supplemental Compliance Program Guidance. These issuances (collectively, the “OIG Guidances”) provide recommendations to hospitals for adopting and implementing effective programs to promote compliance with applicable Federal and state law and the program requirements of Federal, state, and private health plans, and they include a discussion of significant risk areas for hospitals. Compliance with the OIG Guidances is voluntary but is nevertheless an important factor in controlling risk because the OIG will consider the existence of an effective compliance program that pre-dated any governmental investigation when addressing the appropriateness of administrative penalties. However, the presence of a compliance program is not an assurance that healthcare providers, such as the Institution, will not be investigated by one or more Federal or state agencies that enforce healthcare fraud and abuse laws or that they will not be required to make repayments to various healthcare insurers (including the Medicare and/or Medicaid programs).

The Federal Deficit Reduction Act of 2005 added specific requirements effective January 1, 2007. Those requirements include creating a Medicaid Compliance Plan, as well as educating staff, agents and contractors about state and Federal anti-fraud and abuse laws. Having a Medicaid Compliance Plan is a prerequisite to entitlement to receive Medicaid payments.

Not-for-Profit Status

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

Recently, an increasing number of the operations or practices of healthcare providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for non-profit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with Federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the healthcare organizations. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation and others. These challenges and questions have come from a variety of sources, including state attorneys general, the IRS, labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits and litigation.

Internal Revenue Code Limitations

The Internal Revenue Code (the “Code”) contains restrictions on the issuance of tax-exempt bonds for the purpose of financing and refinancing different types of healthcare facilities for not-for-profit organizations, including facilities generating taxable income. Consequently, the Code could adversely affect the Institution’s ability to finance its future capital needs and could have other adverse effects on the Institution that cannot be predicted at this time. The Code continues to subject unrelated business income of nonprofit organizations to taxation.

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

Any suspension, limitation, or revocation of the tax-exempt status of the Institution or assessment of significant tax liability could have a material adverse effect on the Institution and might lead to loss of tax exemption of interest on the Series 2007B Bonds.

Revocation of the tax-exempt status of the Institution under Section 501(c)(3) of the Code could subject the interest paid to Bondholders to Federal income tax retroactively to the date of the issuance of the Series 2007B Bonds. Section 501(c)(3) of the Code specifically conditions the continued exemption of all Section 501(c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private inurement may cause the organization to lose its tax-exempt status under Section 501(c)(3) of the Code. The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and no regulations or public advisory rulings that address many common arrangements between exempt healthcare providers and nonexempt individuals or entities. There can be no assurance concerning the outcome of an audit or other investigation given the lack of clear authority interpreting the range of activities undertaken by the Institution.

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an “excess benefit transaction” with a “disqualified person.” Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it will involve “excess benefit.” “Excess benefit transactions” include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that either exceeds fair market value or, to the extent provided in regulations yet to be promulgated, is determined in whole or in part by the revenues of one or more activities of such organization. “Disqualified persons” include “insiders” such as board members and officers, senior management, and members of the medical staff, who in each case are in a position to substantially influence the affairs of the organization; their family members; and entities which are more than 35% controlled by a disqualified person. The legislative history sets forth Congress’ intent that compensation of disqualified persons shall be presumed to be reasonable if it is: (1) approved by disinterested members of the organization’s board or compensation committee; (2) based upon data regarding comparable compensation arrangements paid by similarly situated organizations; and (3) adequately documented by the board or committee as to the basis for its determination. A presumption of reasonableness will also arise with respect to transfers of property between the exempt organization and disqualified persons if a similar procedure

with approval by an independent board is followed. In 2004 through 2005, the IRS conducted a national review of compensation arrangements for executives and other highly compensated individuals at tax-exempt hospitals. NYUHC and HJD both responded to requests from the IRS for information concerning executive compensation. The Institution has not been contacted by the IRS regarding these submissions and has not been notified that it is subject to an audit.

In June 2006, the IRS sent compliance check questionnaires to hundreds of randomly selected tax-exempt hospitals to review compliance with the community benefit standard under Revenue Ruling 69-545, which sets forth the current standards under which tax exempt healthcare providers qualify for federal tax-exemption under Section 501(c)(3) of the Code. The Institution received separate questionnaires for NYUHC and HJD and submitted responses for both entities within the extended time period allowed by the IRS.

The imposition of penalty excise tax in lieu of revocation based upon a finding that an exempt organization engaged in an excess benefit transaction is likely to result in negative publicity and other consequences that could have a material adverse effect on the operations, property, or assets of the organization.

Tax Audits

Taxing authorities have recently been conducting tax audits on non-profit organizations to confirm that such organizations are in compliance with applicable tax rules and in some instances have collected significant payments as part of the settlement process. The Institution has not been the subject of such an audit.

Antitrust

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

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

Health Insurance Portability and Accountability Act

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

HIPAA also required DHHS to adopt national standards for electronic healthcare transactions, including:

- standardized electronic transaction formats and code sets to allow standardized electronic transmission of healthcare claims and information;
- unique identifiers to support these standard transmissions;
- comprehensive privacy standards establishing a minimum threshold for determining when to allow access to or disclosure of personal health information; and
- security mechanisms to guard against unauthorized access to health information.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties range from \$50,000 to \$250,000 or imprisonment if the information was obtained or used with the intent to sell, transfer, or use the information for commercial advantage, personal gain or malicious harm.

The Institution has implemented HIPAA training and ongoing monitoring. Compliance with HIPAA has required changes in information technology platforms, major operational and procedural changes in the handling of data, and vigilance in monitoring of ongoing compliance with the various regulations. The financial cost of compliance with the “administrative simplification” regulations is substantial. Failure to achieve compliance with the transactions and code set standards could result in substantial payment delays, which could, in turn, have significant negative cash flow implications for the Institution.

Environmental Matters

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

Affiliation, Merger, Acquisition and Divestiture

As part of its ongoing planning and property management functions, the Institution reviews the use, compatibility and financial viability of many of its operations, and from time to time, may pursue changes in the use, or disposition, of its facilities. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use, including those that may affect the Institution, are held on an intermittent, and usually confidential, basis. As a result, it is possible that the assets currently owned by the Institution may change from time to time, subject to the provisions in the financing documents that apply to merger, sale, disposition or purchase of assets.

Professional Liability Claims and General Liability Insurance

Although the number of malpractice lawsuits filed against physicians and hospitals has stabilized in recent years, the dollar amounts of patient damage recoveries still remain potentially significant. A number of insurance carriers have withdrawn from this segment of the insurance market citing underwriting losses, and premiums have increased sharply in the last several years. The effect of these developments has been to significantly increase the operating costs of hospitals, including the Institution.

The Institution currently carries malpractice, directors' and officers' liability and general liability insurance, which management of the Institution considers adequate, but no assurance can be given that the Institution will maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover all malpractice judgments rendered against the Institution or settlements of any such claims or that such coverage will be available at a reasonable cost in the future. For a discussion of the insurance coverage of the Institution, see "PART 7 – NYU HOSPITALS CENTER – Professional and General Liability – Insurance Program" herein.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2007B Bonds. From time to time there may be no market for them depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the Institution's capabilities and the financial conditions and results of operations of the Institution.

Enforceability of Lien on Gross Receipts

The Loan Agreement provides that the Institution shall make payments to the Trustee sufficient to pay the Series 2007B Bonds and the interest thereon as the same become due. The obligation of the Institution to make such payments is secured by the Series 2007B Obligation, which, in turn, is secured by a security interest granted to the Master Trustee in the Gross Receipts of the Institution. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS – Obligations under the Master Indenture – Security Interest in Gross Receipts." The lien on Gross Receipts may be released in part or become subordinate to certain Permitted Liens under the Master Indenture. Gross Receipts paid by the Institution to other parties in the ordinary course might no longer be subject to the lien on the Master Indenture and might therefore be unavailable to the Master Trustee.

To the extent that Gross Receipts are derived from payments by the Federal or state government under the Medicare or Medicaid program, any right to receive such payments directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care or the institution providing service from collecting Medicare and Medicaid payments directly from the Federal or state government. In addition, Medicare and Medicaid receivables may be subject to provisions of the Assignment of Claims Act of 1940, which restricts the ability of a secured party to collect accounts directly from government agencies. With respect to receivables and Gross Receipts not subject to the Lien, the Master Trustee would occupy the position of an unsecured creditor. Counsel to the Obligated Group has not provided

an opinion with regard to the enforceability of the Lien on Gross Receipts of the Obligated Group, where such Gross Receipts are derived from the Medicare and Medicaid programs.

In the event of bankruptcy of the Institution, transfers of property by the bankrupt entity, including the payment of debt or the transfer of any collateral, including receivables and Gross Receipts on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court may be subject to avoidance or recoupment as preferential transfers. Under certain circumstances a court may have the power to direct the use of Gross Receipts to meet expenses of the Member of the Obligated Group before paying debt service on the Series 2007B Bonds.

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

The value of the security interest in the Gross Receipts could be diluted by the partial release of such security interest as permitted under the Master Indenture, by the incurrence of additional Indebtedness secured equally and ratably as to the security interest in the Gross Receipts, or by the incurrence of Indebtedness secured on a basis senior to such security interest in the Gross Receipts. See "PART 1 - INTRODUCTION - Security for the Bonds."

Enforceability of the Master Indenture

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

In addition, the assets of any Member may be held by a court to be subject to a charitable trust which prohibits payments in respect of obligations incurred by or for the benefit of others if a Member has insufficient assets remaining to carry out its own charitable functions or, under certain circumstances, if the obligations paid by such Member were issued for purposes inconsistent with or beyond the scope of the charitable purposes for which the Member was organized. The enforceability of similar master trust indentures has been challenged in jurisdictions outside of the State. In the absence of clear legal precedent in this area, the

extent to which the assets of any institution can be used to pay Obligations issued by or on behalf of others cannot be determined at this time.

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

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

Exercise of Remedies under Master Indenture

"Events of Default" under the Master Indenture include the failure of the Obligated Group to make payments on any Obligation Outstanding under the Master Indenture (such as the Series 2007B Obligations) and may include nonpayment related defaults under documents such as the Loan Agreement, the Resolution or the Mortgage. The Master Indenture provides that upon an "Event of Default" thereunder, the Master Trustee may in its discretion, declare the principal of all (but not less than all) Obligations Outstanding thereunder to be due and payable immediately and may exercise other remedies thereunder. However, the Master Trustee is not required to declare amounts under the Master Indenture to be due and payable immediately unless requested to do so by the holders of not less than 25% in aggregate principal amount of all Obligations then Outstanding under the Master Indenture. Consequently, upon the occurrence of an "Event of Default" under the Resolution with respect to the Series 2007B Bonds and an acceleration of the maturity of the Series 2007B Bonds, the Master Trustee is not required to accelerate the maturity of all Obligations Outstanding under the Master Indenture upon direction from the Trustee unless (i) the principal amount of Series 2007B Bonds Outstanding is at least equal to 25% of the principal amount of all Obligations Outstanding under the Master Indenture or (ii) the Trustee and all other holders of Obligations requesting such acceleration hold at least 25% of all Obligations Outstanding under the Master Indenture.

Bankruptcy

The Series 2007B Bonds are payable from the sources and are secured as described in this Official Statement. The practical realization of value from the collateral for the Series 2007B Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Loan Agreement, the Mortgage and the Master Indenture. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the Loan Agreement, the Mortgage and the Master Indenture may not be readily available or may be limited. A court may decide not to order the performance of the covenants contained in those documents. The legal opinion to be delivered concurrently with the delivery of the Series 2007B Bonds will be qualified as to the enforceability of the various agreements and other instruments by limitations imposed by State and Federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

The rights and remedies of the holders of the Series 2007B Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If the Institution were to file a petition for relief under the Bankruptcy Code, the filing would automatically stay the commencement or continuation of any judicial or other proceedings against the Institution and its property, including the commencement of foreclosure proceedings under the Mortgage. The Institution would not be permitted or required to make payments of principal or interest under the Loan Agreement and the Obligations, unless an order of the United

States Bankruptcy Court were issued for such purpose. In addition, without an order of the United States Bankruptcy Court, the automatic stay may serve to prevent the Trustee from applying amounts on deposit in certain funds and accounts held under the Resolution from being applied in accordance with the provisions of the Resolution, including the transfer of amounts on deposit in the Debt Service Reserve Fund to the Debt Service Fund, and the application of such amounts to the payment of principal of, and interest on, the Series 2007B Bonds. Moreover, any motion for an order canceling the automatic stay and permitting such funds and accounts to be applied in accordance with the provisions of the Resolution would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of the Institution, which could affect the likelihood or timing of obtaining such relief. The automatic stay may also extinguish the Master Trustee's continuing security interest in the Institution's Gross Receipts arising subsequent to the filing of the bankruptcy petition, adversely affect the ability of the Master Trustee to exercise remedies upon default, including the acceleration of all amounts payable by the Institution under the Obligations, the Master Indenture, the Mortgage, and the Loan Agreement, and may adversely affect the Master Trustee's or the Trustee's ability to take all steps necessary to file a claim under the applicable documents on a timely basis.

The Institution could file a plan for the adjustment of its debts in a proceeding under the Bankruptcy Code, which plan could include provisions modifying or altering the rights of creditors generally, or any class of them, whether secured or unsecured. The plan, when confirmed by the United States Bankruptcy Court, would bind all creditors who have notice or knowledge of the plan and would discharge all claims against the Institution provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Considerations Relating to Additional Debt

Subject to the coverage and other tests set forth in the Master Indenture, the Institution and any other Members of the Obligated Group are permitted to incur additional indebtedness. Such indebtedness, in addition to being on a parity with respect to the lien on Gross Receipts and the Mortgage (or in certain circumstances senior thereto), would increase the Institution's debt service and repayment requirements and may adversely affect debt service coverage on the Series 2007B Bonds.

Interest Rate Swap Agreements

The Institution has entered into three interest rate swap agreements (whereby the Institution receives 100% of one-month LIBOR and pays an average fixed rate of approximately 4.4%) in notional amounts as of September 28, 2007 of \$51.0 million, \$7,000,000, and \$8,000,000 corresponding to certain taxable debt of the Institution (including the Series 2000D Bonds), all of which swap agreements mature within six months. Such interest rate swap agreements may be subject to periodic "mark-to-market" valuations and may have a negative value to the Institution. The counter-parties to such agreements may be able to terminate such agreements upon certain events of default under such agreements. Under certain market conditions, the Institution could be required to make a material termination payment to the counter-party of a terminated swap.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operations of healthcare providers, including the Institution, or the market value of the Series 2007B Bonds, to an extent that cannot be determined at this time:

- Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates.

- Increased unemployment or other economic conditions in the service area of the Institution, which could increase the proportion of patients who are unable to pay fully for the cost of their care.
- Efforts by insurers and governmental agencies to limit the cost of hospital and physician services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or attempts by third-party payors to control or restrict the operations of certain healthcare facilities.
- Reduced demand for the services of the Institution that might result from decreases in population or innovations in technology.
- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.
- The occurrence of a natural or man-made disaster, including but not limited to acts of terrorists, that could damage the facilities of the Institution, interrupt utility service to the facilities, result in an abnormally high demand for healthcare services or otherwise impair the operations and the generation of revenues from the Institution's facilities.
- Adoption of a so-called "flat" Federal income tax, a reduction in the marginal rates of Federal income taxation or replacement of the Federal income tax with another form of taxation, any of which might adversely affect the market value of the Series 2007B Bonds and the level of charitable donations to the Institution.
- Increases in cost and limitations in the availability of any insurance, such as fire, and/or business interruption, automobile and comprehensive general liability, that the Institution generally carries.
- Developments affecting the Federal or state tax-exempt status of not-for-profit hospitals or of securities such as the Series 2007B Bonds.

PART 9 - 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 September 30, 2007, the Authority had approximately \$34.5 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.

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at September 30, 2007 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Bonds and Notes Outstanding</u>	<u>Notes Outstanding</u>
State University of New York Dormitory Facilities	\$ 2,120,821,000	\$ 873,355,000	\$ 0	\$ 873,355,000
State University of New York Educational and Athletic Facilities	11,757,912,999	5,062,203,960	0	5,062,203,960
Upstate Community Colleges of the State University of New York	1,392,050,000	592,935,000	0	592,935,000
Senior Colleges of the City University of New York	8,609,563,549	3,005,421,270	0	3,005,421,270
Community Colleges of the City University of New York	2,194,081,563	529,738,730	0	529,738,730
BOCES and School Districts	1,641,101,208	1,241,420,000	0	1,241,420,000
Judicial Facilities	2,161,277,717	738,632,717	0	738,632,717
New York State Departments of Health and Education and Other	3,318,115,000	2,107,400,000	0	2,107,400,000
Mental Health Services Facilities	5,682,130,000	3,671,255,000	0	3,671,255,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	913,895,000	827,890,000	0	827,890,000
Totals Public Programs	\$40,564,423,036	\$18,650,251,677	\$ 0	\$18,650,251,677

<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
Independent Colleges, Universities and Other Institutions	\$ 14,781,041,020	\$ 6,985,083,940	\$128,675,000	\$ 7,113,758,940
Voluntary Non-Profit Hospitals	12,398,189,309	7,655,195,000	0	7,655,195,000
Facilities for the Aged	1,960,585,000	1,042,950,000	0	1,042,950,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	\$ 29,234,815,329	\$15,683,228,940	\$128,675,000	\$15,811,903,940
Grand Totals Bonds and Notes	\$ 69,799,238,365	\$34,333,480,617	\$128,675,000	\$34,462,155,617

Outstanding Indebtedness of the Agency Assumed by the Authority

At September 30, 2007, the Agency had approximately \$580 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 September 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	541,824,927
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	34,635,000
Total Non-Public Programs	9,265,549,927	580,389,927
Total MCFFA Outstanding Debt	\$13,082,780,652	\$580,389,927

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 and Portfolio Monitoring. 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; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. 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 2007B 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 10 - LEGALITY OF THE SERIES 2007B BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2007B Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2007B Bonds.

PART 11 - NEGOTIABLE INSTRUMENTS

The Series 2007B 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 2007B Bonds.

PART 12 - TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2007B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2007B 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). A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the Series 2007B Bonds is less than the amount to be paid at maturity of such Series 2007B 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 2007B 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 2007B Bonds is the first price at which a substantial amount of such maturity of the Series 2007B 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 2007B Bonds accrues daily over the term to maturity of such Series 2007B 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 2007B Bonds to determine taxable gain or loss upon disposition (including sale,

redemption, or payment on maturity) of such Series 2007B Bonds. Beneficial Owners of the Series 2007B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2007B Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2007B Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2007B Bonds is sold to the public.

Series 2007B 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 2007B Bonds. The Authority and the Institution made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2007B 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 2007B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2007B 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 2007B Bonds may adversely affect the value of, or the tax status of interest on, the Series 2007B Bonds.

In addition, Bond Counsel has relied, among other things, on the opinion of Annette B. Johnson, Esq., Senior Vice President and General Counsel to the Institution, regarding the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code and the intended operation of the facilities to be refinanced by the Series 2007B Bonds as substantially related to the Institution’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 cannot give and has not given any opinion or assurance about the future activities of the Institution, 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 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 Series 2007B Bonds in a manner that is substantially related to the Institution’s charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2007B Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2007B Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2007B 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 2007B 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 2007B 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 2007B Bonds. Prospective purchasers of the Series 2007B 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 2007B Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (the "IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Institution, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Institution have covenanted, however, to comply with the requirements of the Code.

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

PART 13 - STATE NOT LIABLE ON THE SERIES 2007B 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 2007B Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 14 - COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of 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 15 - RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies ("S&P") have assigned their ratings of "BBB-", "Ba2" and "BB", respectively, to the Series 2007B Bonds. Such ratings reflect only the respective views of Fitch,

Moody's and S&P and do not constitute a recommendation to buy, sell or hold the Series 2007B Bonds. Generally, rating agencies base their ratings on information and material furnished by the Authority and the Institution and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the views of such organizations and an explanation of the significance of such rating may be obtained from the respective rating agencies at: Fitch Ratings, One State Street Plaza, New York, New York 10004, telephone: (212) 908-0500; Moody's Investors Service, 99 Church Street, New York, New York 10007-2796, telephone: (212) 553-0300; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone: (212) 438-2124. There is no assurance that any rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such revision or withdrawal of such rating may have an effect on the market price of the Series 2007B Bonds.

PART 16 - LEGAL MATTERS

Certain legal matters incidental to the offering of the Series 2007B 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 2007B Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix F hereto.

Certain legal matters will be passed upon for NYUHC by Annette B. Johnson, Esq., NYUHC's Senior Vice President and General Counsel, and by NYUHC's Special Counsel, Ropes & Gray LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York.

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

PART 17 - UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2007B Bonds from the Authority at a purchase price of \$90,012,240.90 (reflecting an underwriters' discount of \$993,282.50, less an original issue discount of \$3,144,476.60), and to make a public offering of the Series 2007B Bonds at prices that are not in excess of the public offering yields indicated on the cover of this Official Statement. The Underwriters will be obligated to purchase all of such Series 2007B Bonds if any are purchased.

The Series 2007B Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

PART 18 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Institution will undertake, pursuant to the Agreement to Provide Continuing Disclosure dated as of the date of delivery of the Series 2007B Bonds (the "Continuing Disclosure Agreement"), for the benefit of the holders of the Series 2007B Bonds to provide to the Disclosure Dissemination Agent, with a copy to the Authority and the Trustee, on or before one hundred fifty (150) days after the fiscal year of the Institution, commencing with the fiscal year ending December 31, 2007, for filing by the Disclosure Dissemination Agent with each Nationally Recognized Municipal Securities Information Repository (each a "Repository"), and, if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis, financial and operating information of the type hereinafter described in this Official Statement as "Annual Financial Information," together with the Institution's audited 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.

If, and only if, and to the extent that it receives the Annual Financial Information and audited financial statements described above from the Institution, the Disclosure Dissemination Agent will undertake for the benefit of the holders of the Series 2007B Bonds, on behalf of the Authority, to provide such information and financial statements, as promptly as practicable but no later than three (3) days after receipt of the information from the Institution, to each such Repository and, if and when established, to the State Information Depository. In addition, the Disclosure Dissemination Agent has undertaken, for the benefit of the holders of the Series 2007B Bonds, to provide to each such Repository or the Municipal Securities Rulemaking Board (the "MSRB"), and to the State Information Depository, if any, in a timely manner, the Notices required to be provided by Rule 15c2-12 promulgated by the Securities and Exchange Commission and described below (the "Notices").

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

The Notices include notices of any of the following events with respect to the Series 2007B 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 2007B Bonds; (7) modifications to the rights of holders of the Series 2007B Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2007B Bonds; (11) rating changes; and (12) failure to provide the Annual Financial Information as required by the Continuing Disclosure Agreement.

The sole and exclusive remedy for breach or default by the Institution or the Disclosure Dissemination Agent under the Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of the Institution and/or the Disclosure Dissemination Agent, and no person, including any holder of the Series 2007B Bonds, may recover monetary damages thereunder under any circumstances. The Disclosure Dissemination Agent or the Institution may be compelled to comply with their obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required under the Continuing Disclosure Agreement, by an owner of Outstanding Series 2007B Bonds or by the Trustee on behalf of the owners of Outstanding Series 2007B Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the owners of Outstanding Series 2007B Bonds; provided, however, that the Trustee shall not be required to take any enforcement action challenging the adequacy of the information provided except at the direction of the owners of not less than 25% in aggregate principal amount of the Series 2007B Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the 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 undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are 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 Continuing Disclosure Agreement, however, may be amended or modified without the consent of the holders of the Series 2007B Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement are on file at the principal office of the Authority.

PART 19 - FINANCIAL ADVISOR TO NYUHC

Ponder & Co. (“Ponder”) has served as capital financial advisor to NYUHC for purposes of assisting with the development and implementation of a strategic capital plan. Ponder is an independent financial advisory firm. It is not engaged in the business of underwriting or distributing municipal securities or other public securities. Ponder is not obligated and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

PART 20 - MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2007B Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2007B Obligation do not purport to be complete. Refer to the Act, the Resolution, the Series 2007B Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2007B Obligation for full and complete details of their provisions. Copies of the Resolution, the Series 2007B Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2007B Obligation are on file with the Authority and the Trustee.

The Institution pursuant to the Master Indenture has agreed to furnish, or cause to be furnished, no later than sixty (60) days subsequent to the last day of each of the first three quarters in each fiscal year to (1) each Repository, and (2) each Bondholder who is the registered owner of in excess of an aggregate \$1,000,000 principal amount of the Series 2007B Bonds who has so requested, the following information: (a) the unaudited financial statements of the Institution, including the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flows; (b) utilization statistics of the Institution for such quarter, including aggregate discharges per facility, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable); and (c) discharges of the Institution by major payor mix for such quarter. In addition, the Institution has agreed to furnish, or cause to be furnished, to each of the parties identified in clauses (1) and (2) above, the audited financial statements of the Institution, within one hundred fifty (150) days after the completion of the Institution’s fiscal year. To the extent that other entities become Members of the Obligated Group, comparable information will be provided with respect to the entire Obligated Group.

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

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

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

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

“Appendix A - Certain Definitions,” “Appendix C - Summary of Certain Provisions of the Loan Agreement,” “Appendix D - Summary of Certain Provisions of the Resolution” and “Appendix F - Proposed Form of Approving Opinion of Bond Counsel”, have been prepared by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. “Appendix E - Summary of Certain Provisions of the Master Indenture” has been prepared by Ropes & Gray, LLP, special counsel to the Institution.

The consolidated financial statements of the NYU Hospitals Center as of December 31, 2006 and 2005 and for the years then ended included in Appendix B-1 have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing therein.

The Institution has reviewed the parts of this Official Statement describing the Institution, the Obligated Group and the Master Indenture. The Institution shall certify as of the date hereof and as of the date of delivery of the Series 2007B Bonds that such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution has reviewed certain parts of this Official Statement describing the Institution, the Obligated Group and the Master Indenture, including but not limited to “PART 1 - INTRODUCTION”, “PART 4 - PLAN OF FINANCING”, “PART 7 - NYU HOSPITALS CENTER”, “PART 8 - RISK FACTORS AND REGULATORY CHANGES THAT MAY AFFECT THE OBLIGATED GROUP”, “Appendix B-1 – Consolidated Financial Statements of NYU Hospitals Center as of December 31, 2006 and 2005 and for the years then ended, with the Report of Independent Auditors” and “Appendix B-2 – Unaudited Financial Statements of NYU Hospitals Center as of August 31, 2007 and for the eight-month period then ended.” The Institution shall certify as of the date hereof and as of the date of delivery of the Series 2007B Bonds that such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

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

By: /s/ David D. Brown, IV
Authorized Officer

Appendix A
Certain Definitions

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CERTAIN DEFINITIONS

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

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

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

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

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

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

Authority Fee means a fee payable to the Authority equal to the payment to be made upon the issuance of a Series of Bonds in an amount set forth in the Applicable Series Resolution, unless otherwise provided in the Applicable Series Resolution;

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

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

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

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

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

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

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

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

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

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

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

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

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

liabilities of the Authority incurred in connection with such Project(s) or pursuant to the Resolution or to the Loan Agreement, or a Reserve Fund Facility;

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

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

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

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

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

Debt Service Reserve Fund Requirement, as used in the Loan Agreement and the Series Resolution, means an amount equal to the maximum annual principal and interest requirement on the Series 2007B Bonds, all as set forth in the Series 2007B Bond Series Certificate executed in connection with the original issuance of the Series 2007B Bonds;

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

date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) which are rated by Moody's and Standard & Poor's in the highest rating category of each such rating service for such Exempt Obligation; provided, however, that such term will not mean any interest in a unit investment trust or mutual fund;

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

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

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

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

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

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

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

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

Gross Proceeds means, with respect to an Applicable Series of Bonds, the interest on which is tax-exempt, unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of such Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the

Debt Service Reserve Fund, (v) securities or obligations pledged by the Authority or the Institution as security for payment of debt service on such Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on such Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code;

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

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

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

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

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

Loan Agreement means the Amended and Restated Loan Agreement, dated as of June 28, 2006, as supplemented, by and between the Authority and the Institution, amending and restating (a) the Original Series 2000 Loan Agreement, dated as of April 5, 2000, by and between the Authority and the Institution and (b) the Original Series 2000 Loan Agreement, dated as of April 5, 2000, by and between the Authority and HJD, as each may be amended, supplemented or otherwise modified as permitted by the Loan Agreement and by the Resolution;

Master Trustee means The Bank of New York and any successor under the Master Indenture;

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

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

Mortgage means the Amended and Restated Mortgage executed by NYUHC and assigned by the Authority to the Master Trustee to secure all Obligations issued or to be issued under the NYUHC Master Indenture;

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

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

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

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

Outstanding, as used in the Resolution, when used in reference to Bonds of an Applicable Series means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under the Applicable Series Resolution (including any Bonds deemed to have been issued and authenticated under the Resolution pursuant to the Supplemental Resolution, adopted on October 31, 2007) except: (i) any such Bond cancelled by the Applicable Trustee at or before such date; (ii) any such Bond deemed to have been paid in accordance with the Resolution; and (iii) any such Bond in lieu of or in substitution for which another such Bond will have been authenticated and delivered pursuant to the Resolution;

Paying Agent means, with respect to an Applicable Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of an Applicable Series Resolution, an Applicable Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of such Series of Bonds for which such Paying Agent or Paying Agents will be so appointed;

Project means the financing or refinancing of the following: (1) acquisition and installation of new emergency generators at Tisch Hospital, (2) relocation, construction, renovation, expansion and equipping of the intensive care units at Tisch Hospital, (3) construction, renovation and equipping of leased space in an existing facility located at 333 East 38th Street, to create a new Ambulatory Surgery Center, consisting of operating suites, pre-operation/recovery beds and a pathology laboratory, (4) construction and renovation of a floor of the Schwartz Health Care Center, including HVAC system upgrades, to accommodate the relocation of a short-stay unit from Tisch Hospital and post-surgical observation beds, (5) construction, renovation and equipping of a cardiac and vascular center within the Schwartz Health Care Center, and (6) the renovation, repair and equipment purchases that functionally support or are related to the items described above in (1) through (5), and any other Projects which are financed from the proceeds of an applicable Series of Bonds issued under the Resolution and which are included as part of the Project by an amendment to the Loan Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State means the State of New York;

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

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

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

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

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

Appendix B-1

**Consolidated Financial Statements of NYU Hospitals Center as of
December 31, 2006 and 2005 and for the years then ended, with Report of Independent Auditors**

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CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

NYU Hospitals Center

Years ended December 31, 2006 and 2005
with Report of Independent Auditors

NYU Hospitals Center

Consolidated Financial Statements
and Other Financial Information

Years ended December 31, 2006 and 2005

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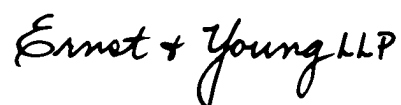
Report of Independent Auditors

Board of Trustees
NYU Hospitals Center

We have audited the accompanying consolidated statements of financial position of NYU Hospitals Center (the “Hospitals Center”) as of December 31, 2006 and 2005, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospitals Center’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of CCC550 Insurance SCC (“CCC550”), a wholly-owned subsidiary, which statements reflect total assets and revenues constituting 9% and 2%, respectively, and 7% and 3%, respectively, of the related 2006 and 2005 consolidated totals, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CCC550, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NYU Hospitals Center at December 31, 2006 and 2005, and the consolidated results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



March 22, 2007

NYU Hospitals Center

Consolidated Statements of Financial Position

	December 31	
	2006	2005
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 81,169	\$ 42,640
Patient accounts receivable, less allowances for uncollectibles (2006—\$41,841; 2005—\$42,164)	125,677	142,448
Insurance receivables—billed	7,994	9,044
Insurance receivables—unbilled	—	6,242
Marketable securities	27,321	11,081
Assets limited as to use	9,170	12,859
Inventories	21,787	19,799
Other current assets	46,137	47,304
Total current assets	319,255	291,417
Marketable securities and other investments	27,829	27,513
Assets limited as to use	94,320	55,139
Other assets	64,624	43,087
Deferred financing costs	6,447	5,412
Property, plant and equipment—net	327,727	313,184
Total assets	\$ 840,202	\$ 735,752

See accompanying notes.

	December 31	
	2006	2005
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 96,693	\$ 104,665
Accrued salaries and related liabilities	19,827	19,625
Accrued interest payable	2,930	4,768
Unearned premiums	9,753	15,560
Current portion of long-term debt	29,266	6,959
Due to related organizations, net	6,189	2,035
Other current liabilities	17,186	27,834
Total current liabilities	181,844	181,446
Long-term debt, less current portion	241,626	249,536
Outstanding losses and loss adjustment expenses	76,654	41,849
Accrued pension liabilities	49,698	53,023
Accrued postretirement liabilities	37,170	33,723
Other liabilities	40,190	28,873
Total liabilities	627,182	588,450
Commitments and contingencies		
Net assets:		
Unrestricted	135,426	104,697
Temporarily restricted	68,841	28,663
Permanently restricted	8,753	13,942
Total net assets	213,020	147,302
Total liabilities and net assets	\$ 840,202	\$ 735,752

NYU Hospitals Center

Consolidated Statements of Operations

	Year ended December 31	
	2006	2005
	<i>(In Thousands)</i>	
Operating revenue		
Net patient service revenue	\$ 936,923	\$ 886,949
Premiums earned	18,643	25,791
Investment income	11,868	3,802
Contributions, including pledge available for current use of \$3,600 in 2005	6,144	6,661
Other revenue	53,882	66,631
Net assets released from restrictions for operating purposes	7,699	2,951
Total operating revenue	<u>1,035,159</u>	<u>992,785</u>
Operating expenses		
Salaries and wages	419,713	407,827
Employee benefits	116,901	110,349
Supplies and other	391,242	372,308
Depreciation and amortization	39,890	40,116
Interest	13,792	14,836
Bad debt expense	26,639	26,635
Total operating expenses before other item	<u>1,008,177</u>	<u>972,071</u>
Excess of operating revenue over operating expenses before other item	26,982	20,714

Continued on following page.

NYU Hospitals Center

Consolidated Statements of Operations (continued)

	Year ended December 31	
	2006	2005
	<i>(In Thousands)</i>	
Excess of operating revenue over operating expenses before other item	\$ 26,982	\$ 20,714
Loss on refinancing of debt	(10,800)	–
Excess of operating revenue over operating expenses	16,182	20,714
Other changes in unrestricted net assets		
Asset retirement obligation	(1,906)	–
Net change in unrealized gains and losses on investments	3,712	787
Reversal of affiliate reserve	–	805
Change in additional minimum pension liability	8,910	(17,753)
Change in fair value of derivative instruments	122	616
Net assets released from restrictions (for capital purposes in 2006)	1,239	4,897
Contributions for capital asset acquisitions	2,470	1,694
Net increase in unrestricted net assets	\$ 30,729	\$ 11,760

See accompanying notes.

NYU Hospitals Center

Consolidated Statements of Changes in Net Assets

	Year ended December 31, 2006				Year ended December 31, 2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	<i>(In Thousands)</i>							
Net assets at beginning of year	\$ 104,697	\$ 28,663	\$ 13,942	\$ 147,302	\$ 92,937	\$ 13,545	\$ 17,835	\$ 124,317
Increase in unrestricted net assets	30,729	–	–	30,729	11,760	–	–	11,760
Gifts, bequests and other items	–	49,806	500	50,306	–	17,185	1,515	18,700
Interest income, dividends and realized gains	–	148	–	148	–	371	2	373
Net assets released from restrictions	–	(8,938)	–	(8,938)	–	(2,951)	(4,897)	(7,848)
Reclassifications	–	–	–	–	–	513	(513)	–
Transfers of net assets	–	(838)	(5,689)	(6,527)	–	–	–	–
Total changes in net assets	30,729	40,178	(5,189)	65,718	11,760	15,118	(3,893)	22,985
Net assets at end of year	\$ 135,426	\$ 68,841	\$ 8,753	\$ 213,020	\$ 104,697	\$ 28,663	\$ 13,942	\$ 147,302

See accompanying notes.

NYU Hospitals Center

Consolidated Statements of Cash Flows

	Year ended December 31	
	2006	2005
	<i>(In Thousands)</i>	
Cash flows from operating activities		
Changes in net assets	\$ 65,718	\$ 22,985
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,890	40,116
Amortization of premium	2,514	(152)
Permanently restricted contributions	(500)	(1,515)
Loss on refinancing of debt	10,800	—
Net change in unrealized gains and losses on investments	(3,712)	(787)
Changes in:		
Patient accounts receivable	16,771	2,385
Insurance receivables—billed and unbilled	7,292	(15,286)
Accounts payable and accrued expenses	(7,972)	4,465
Accrued salaries and related liabilities	202	(1,082)
Accrued interest payable	(1,838)	(440)
Unearned premiums	(5,807)	15,560
Due to and from related organizations	4,154	(10,294)
Outstanding losses and loss adjustment expenses	34,805	41,849
Other operating liabilities	791	35,773
Other operating assets	(21,759)	(28,196)
Net cash provided by operating activities	141,349	105,381
Cash flows from investing activities		
Net acquisitions of property, plant and equipment	(54,434)	(48,789)
(Increase) decrease in investments—net	(12,843)	3,022
Increase in assets limited as to use	(35,492)	(35,908)
Net cash used in investing activities	(102,769)	(81,675)
Cash flows from financing activities		
Permanently restricted contributions	500	1,515
Proceeds from borrowing on line of credit	8,000	2,000
Proceeds from issuance of long-term debt	124,701	—
Retirement of long-term debt	(121,625)	—
Principal payments on long-term debt	(7,047)	(6,553)
Payment of deferred financing costs	(4,580)	—
Net cash used in financing activities	(51)	(3,038)
Net increase in cash and cash equivalents	38,529	20,668
Cash and cash equivalents at beginning of year	42,640	21,972
Cash and cash equivalents at end of year	\$ 81,169	\$ 42,640

See accompanying notes.

NYU Hospitals Center

Notes to Consolidated Financial Statements

December 31, 2006

1. Organization and Summary of Significant Accounting Policies

Organization

Effective January 1, 1998, the NYU Hospitals Center (the “Hospitals Center”) was created as a spin-off from New York University (the “University”). At the same time, the NYU Health System was created, wholly sponsored by the University, which became the sole member of the Hospitals Center. Formerly, the Hospitals Center was included as part of New York University Medical Center (the “Medical Center”), an administrative unit of New York University. Effective January 1, 1998, certain assets and liabilities of the Medical Center became the assets and liabilities of the Hospitals Center.

On July 15, 1998, the University transferred its sponsorship of the NYU Health System and hence, the Hospitals Center to the Mount Sinai-NYU Medical Center Health System d/b/a/ Mount Sinai NYU Health (the “HSO”). In addition to the Hospitals Center, the University transferred its sponsorship of NYU Downtown Hospital (“Downtown”) and Hospital for Joint Diseases/Orthopaedic Institute (“HJD”) to the HSO. The HSO became the sole member of the Hospitals Center, The Mount Sinai Hospital (“MSH”), Downtown and HJD. In 2002, the University and The Mount Sinai Medical Center, Inc. became the members of the HSO. On May 31, 2005, pursuant to an agreement between the Hospitals Center and Downtown, for the settlement of service fees owed to the Hospitals Center, the HSO ceased being the sole member of Downtown, which subsequently changed its name to New York Downtown Hospital.

Effective January 1, 2006, a full asset merger was completed between the Hospitals Center and HJD, an orthopaedic hospital. Subsequent to the merger, HJD is conducting business as NYU Hospital for Joint Diseases, a division of the Hospitals Center. The reorganization of these entities was accounted for in a manner similar to a pooling of interests, with carryover basis for assets and liabilities applied as of January 1, 2004.

References to the Hospitals Center in the accompanying consolidated financial statements and notes include HJD, as applicable.

On October 4, 2006, upon the issuance of the Series 2006A and Series 2006B bonds (see Note 6), the Hospitals Center withdrew from the Mount Sinai NYU Health Obligated Group (see Note 6). The Hospitals Center remains a subsidiary of the HSO.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

In January 2007, the Executive Committee of the Board of Trustees of the University voted to accept the corporate membership of the Hospitals Center, subject to completion of appropriate documentation. Implementation of this change would result in a withdrawal of the HSO as a member and the substitution of the University as the sole corporate member of the Hospitals Center. Completion of this governance change may not occur for a number of months.

The Hospitals Center represents one of the nation's premier centers of excellence in health care and encompasses three hospitals. The central component of the Hospitals Center is Tisch Hospital, a 705-bed acute care facility and a major center for specialized procedures in cardiovascular services, neurosurgery, cancer treatment, reconstructive surgery and transplantation. The Rusk Institute of Rehabilitation Medicine, a 174-bed unit, has earned worldwide recognition for its leadership in the treatment of the physically challenged. The HJD division is a 190-bed acute care facility specializing in orthopaedic services.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Hospitals Center and CCC550 Insurance SCC ("CCC550"), an offshore captive insurance company solely owned by the Hospitals Center. Accordingly, amounts due (to) from the Hospitals Center and CCC550 and transactions between the entities have been eliminated in consolidation (see Note 7).

Related Organizations

Transactions among the Hospitals Center and related organizations in the accompanying consolidated financial statements relate principally to the sharing of certain services, facilities, equipment and personnel and are accounted for on the basis of allocated cost, as agreed among the parties. Except for specific amounts discussed in Note 10, amounts due from or to related organizations do not bear interest. Additionally, the Hospitals Center and University have established guidelines for reimbursement, on a fee-for-service basis, for services provided (see Note 10).

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Cash Equivalents

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

Accounts Receivable

Patient accounts receivable result from the health care services provided by the Hospitals Center. 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 the 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.

Patient accounts receivable from third-party programs for which the Hospitals Center receives payment under various reimbursement formulae or negotiated rates are stated at the estimated net amounts receivable from such payors, which are generally less than the Hospitals Center's established billing rates. See Note 2 for additional information relative to third-party payor programs.

Fee Income

Fees received by CCC550 for segregated cell program administration are recorded on the accrual basis.

Investments

A portion of the Hospitals Center's investments is in a pooled investment portfolio maintained by the University. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, based on quoted market prices. The fair value of alternative investments in the pooled investment portfolio is based on values reported by the respective external investment managers, and consists of primarily readily marketable securities but may be less liquid than other investments. Certain securities underlying the alternative instruments are not readily marketable. Although the

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

estimated value is subject to uncertainty and may differ from the value that would have been used had a ready market for the securities existed, management believes that any such difference would not have a material effect on the Hospitals Center's consolidated financial position. In addition, a limited number of the investment vehicles included in the alternative instruments have liquidity restrictions which may defer redemption of the investment for a short period of time. The amount of gain or loss associated with these alternative instruments is reflected in the accompanying consolidated financial statements using the equity method of accounting. Investments in certain private capital funds are recorded at fair value as of the date of the last portfolio appraisal. The funds are then adjusted for capital contributions and redemptions made between the valuation date and year-end.

Gains, losses and investment income are included in the consolidated statements of operations as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations. See Note 3 for additional information relative to investments.

Inventories

The Hospitals Center values its inventories at the lower of cost or market using the FIFO (first-in, first-out) method.

Assets Limited as to Use

Assets limited as to use primarily represent assets held by trustees under long-term debt agreements, self-insurance trust agreements and investments held by CCC550. The assets limited as to use (not held by CCC550) are comprised of U.S. Government obligations for which cost approximates fair value, and investments held by CCC550, which include cash, hedge, fixed income, and equity units of CCC Investment Trust ("CCCIT"), are reported at fair value (see Note 7).

Deferred Financing Costs

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

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment purchased are carried at cost and those acquired by gifts and bequests are carried at appraised or fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Annual provisions for depreciation are made based primarily upon the straight-line method over the estimated useful lives of the assets. See Note 5 for additional information relative to property, plant and equipment.

Asset Retirement Obligation

In accordance with Financial Accounting Standards Board (“FASB”) Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (“FIN 47”), the Hospitals Center recorded an asset retirement obligation liability related to the estimated future costs to remediate asbestos. At December 31, 2006, this liability was approximately \$1.9 million and is included in other liabilities in the consolidated statement of financial position.

Derivative Instruments

The Hospitals Center utilizes derivative instruments for interest rate risk exposure-management purposes. The Hospitals Center accounts for derivative instruments in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS Nos. 137 and 138, *Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133* and *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, respectively, and is required to recognize such instruments as either an asset or liability in the consolidated statements of financial position at fair value. The method of accounting for changes in the fair value (periodic unrealized gains and losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship and the effectiveness of the arrangement.

The fair value of derivative instruments is determined utilizing forward interest rate estimates and present value techniques.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

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

In 2005, approximately \$4.9 million of net assets previously reported as permanently restricted were released from their permanent restrictions based on an order of the Supreme Court of New York State. Additionally, the reclassification of approximately \$0.5 million from permanently restricted net assets to temporarily restricted net assets in 2005 was approved by the New York State Attorney General.

In 2006, approximately \$6.5 million of net assets previously reported as temporarily and permanently restricted were transferred to the NYU School of Medicine (a division of the University) as approved by the Supreme Court of New York State.

Contributions

Contributions, including unconditional promises to give cash and other assets (pledges), are reported at fair value on the date received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

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

During 2005, HJD received an unconditional pledge in the amount of \$3.6 million to be used for 2005 operations. The amount is included within contributions in the accompanying consolidated statement of operations for 2005.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Uncompensated Care

As a matter of policy, the Hospitals Center provides significant amounts of partially or totally uncompensated patient care. For accounting purposes, such uncompensated care is treated either as charity care or bad debt expense. The Hospitals Center's charity care policy, in accordance with the New York State Department of Health's guidelines, ensures the provision of quality health care to the community served while carefully considering the ability of the patient to pay. The policy has sliding fee schedules for inpatient, ambulatory and emergency services provided to the uninsured and under-insured patients that qualify. Patients are eligible for the charity care fee schedule if they meet certain income and liquid asset tests. For accounting and disclosure purposes, charity care is considered to be the difference between the Hospitals Center's customary charges and the sliding charity care fee schedule rates. Since payment of this difference is not sought, charity care allowances are not reported as revenue. Patients who do not qualify for sliding scale fees and all uninsured inpatients who do not qualify for Medicaid assistance are billed at the Hospitals Center's full rates. Uncollected balances for these patients are categorized as bad debts. Total uncompensated care for all patient services approximated \$40.8 million and \$36.3 million in 2006 and 2005, respectively.

Reclassifications

For purposes of comparison, certain reclassifications have been made to the accompanying 2005 consolidated financial statements. The reclassifications relate to the current versus noncurrent classification of third party payor receivables and liabilities.

Performance Indicator

The consolidated statements of operations include excess of operating revenue over operating expenses as the performance indicator. Changes in unrestricted net assets which are excluded from excess of operating revenue over operating expenses, consistent with industry practice, include net change in unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets), changes in fair value of derivative instruments which are effective (see Note 6), change in additional minimum pension liability and, in 2006, the accrual of the asset retirement obligation.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

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 reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the amounts recorded based on estimates and assumptions are reasonable. In 2006 and 2005, there were no material changes in estimates recorded.

Tax Status

The Hospitals Center is a Section 501(c) (3) organization exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. It also is exempt from New York State and City income taxes.

CCC550 is subject to taxation in accordance with Section 29 of the Exempt Insurance Act 1983 (Barbados) at a rate of zero percent and is entitled to this tax rate for a period of 15 years ending 2020, and thereafter at a rate of two percent on the first \$125,000 of taxable income.

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue

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

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

Non-Medicare Payments

The New York Health Care Reform Act of 1996 (the "Act"), as periodically updated, governs non-Medicare payments to hospitals in New York State. The Act is subject to periodic renewal and currently is in effect through June 30, 2007. Under the Act, hospitals and all non-Medicare payors, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payors are billed at hospitals' established charges. Medicaid, workers' compensation and no-fault payors pay hospital rates promulgated by the New York State Department of Health ("DOH") on a prospective basis. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services ("CMS"), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until the Hospitals Center is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' rates will continue to be made in future years.

Medicare Payments

Hospitals are paid for most Medicare inpatient and outpatient services under the National prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.

The Hospitals Center has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data. Such amounts are included in the accompanying consolidated statements of financial position within other current and noncurrent assets and liabilities. Net amounts due (to) or from third party payors at December 31, 2006 and 2005 are \$(3.6) million and \$6.4 million, respectively. Additionally, certain payors' payment rates for various years have been appealed by the Hospitals Center. If the appeals are successful, additional income applicable to those years might be realized.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

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

The current Medicare, Medicaid and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. Medicare cost reports for the Hospitals Center, which serve as the basis for final settlement with the Medicare program, have not been final settled as far back as 2000. Other years remain open for settlement as are settlements with the state Medicaid program. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Hospitals Center 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.

The Hospitals Center 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 23% from Medicare, 17% from Medicaid, 50% from managed care companies, and 10% from commercial insurance carriers and others at December 31, 2006 (27%, 13%, 44%, and 16%, respectively, in 2005).

In 2006, approximately 32% and 8% of the Hospitals Center's net patient service revenue was from Medicare and Medicaid programs, respectively (33% and 7%, respectively, in 2005).

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

3. Investments and Assets Limited as to Use

As of December 31, 2006 and 2005, a portion of the Hospitals Center's marketable securities was held by the University. The following table summarizes the composition of marketable securities and other investments, including those held by the University at December 31 (in thousands):

	2006	2005
Cash and cash equivalents	\$ 2,637	\$ 2,000
U.S. Government agency obligations	9,042	8,816
Corporate and other debt obligations and other	433	2,343
Equity securities	6,404	3,196
University investment pool	36,634	22,239
	\$ 55,150	\$ 38,594

The investments held in the University investment pool comprise the following:

	December 31	
	2006	2005
Equity securities	51%	41%
Fixed income securities	18	32
Alternative investments	31	27
Total	100%	100%

Total investment income and net realized gains and losses on sales of securities included in the consolidated statements of operations consist of the following for the years ended December 31 (in thousands):

	2006	2005
Interest, dividends and other income	\$ 5,366	\$ 1,557
Net realized gains on sale of securities	702	628
Investment income from CCC550	5,800	1,617
	\$ 11,868	\$ 3,802

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

3. Investments and Assets Limited as to Use (continued)

Included in other revenue in 2005 is approximately \$6.8 million received on the Hospitals Center's investment in Combined Coordinating Council, Inc. ("CCC") (see Note 7).

At December 31, 2006 and 2005, unrealized losses on individual investment holdings were not significant.

Assets limited as to use consist of the following at December 31 (in thousands):

	2006	2005
Assets held under long-term debt agreements pertaining to Series 2000 and 2006 (see Note 6):		
Construction funds	\$ 4,183	\$ 4,062
Debt service funds	4,895	8,591
Debt service reserve funds	22,894	17,088
Other	–	170
Assets held by CCC550 (see Note 7):		
Cash	6,063	7,368
Bond fund	17,749	16,246
Hedge fund	25,405	4,639
Equity fund	21,808	9,414
Self-insurance trust assets	401	384
Funds held for faculty practice plans	92	36
	\$ 103,490	\$ 67,998

4. Unconditional Promises to Give

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

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

4. Unconditional Promises to Give (continued)

The Hospitals Center is aware of numerous unconditional promises to give and estimates the year of receipt to the extent possible. Contributions receivable are recorded within other current assets and other assets in the accompanying consolidated statements of financial position and are recorded net of an allowance for uncollectible pledges of \$1.9 million at December 31, 2006. The anticipated present value of the receivable is as follows (in thousands):

2007	\$15,723
2008	12,244
2009	11,067
2010	10,565
2011	3,088
Thereafter	9,538
	\$62,225
	\$62,225

5. Property, Plant and Equipment

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

	2006	2005
Land and improvements	\$ 13,828	\$ 13,828
Buildings and improvements	461,352	437,976
Fixed and movable equipment	408,005	393,031
	883,185	844,835
Less accumulated depreciation and amortization	618,930	579,593
	264,255	265,242
Capital projects in progress	63,472	47,942
	\$327,727	\$313,184

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

5. Property, Plant and Equipment (continued)

The Hospitals Center capitalizes costs incurred in connection with the development of internal use software or purchased software modified for internal use. In 2006 and 2005, approximately \$7.3 million and \$8.3 million, respectively, was capitalized and approximately \$6.3 million and \$6.1 million, respectively, was amortized.

Substantially all property, plant and equipment has been pledged as collateral under various debt agreements.

6. Long-term Debt

A summary of long-term debt is as follows at December 31 (in thousands):

	2006	2005
Series 2000 (a)	\$ 76,900	\$192,047
Series 2006 (b)	122,000	—
Due to the University (c)	10,758	12,976
Accounts receivable financing (d)	21,800	21,800
Construction loan (e)	13,015	13,768
Working capital loan (f)	23,000	15,000
	267,473	255,591
Add premium	3,419	904
Less current portion	29,266	6,959
	\$241,626	\$249,536

- (a) In 2000, the Mount Sinai NYU Health Obligated Group Revenue Bonds, Series 2000 (“Series 2000”) were issued through the Dormitory Authority of the State of New York (“DASNY”) to raise capital to refinance and/or refund certain outstanding long-term debt of the Obligated Group’s members and to make available additional capital. The Obligated Group consisted of the Hospitals Center (including HJD separately at that time) and MSH. The Series 2000 bonds allocated to the Hospitals Center were payable at varying dates through July 2026, at variable rates and fixed interest rates ranging from 5.3% to 6.8%.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

6. Long-term Debt (continued)

In April 2004, the Hospitals Center arranged for a bank syndicate to acquire all of its Series 2000D bonds, thereby removing the Series 2000D bonds from the 28-day auction mode for a period of five years. Interest was reset at an interest rate of 30-day LIBOR plus 155 basis points (approximately 6.8% at December 31, 2006). Approximately \$52.2 million of Hospitals Center's obligation under Series 2000D is outstanding at December 31, 2006 (\$53.4 million at December 31, 2005).

On July 1, 2005, the Series 2000B bonds (\$24.7 million issued by Hospitals Center and outstanding at December 31, 2006 and 2005) were scheduled to step-up in interest rate from 6.25% to 8.0%. The Hospitals Center entered into a total return swap through a bank syndicate to provide a synthetic refinancing resulting in an effective interest rate of 5.15%. These bonds were refinanced in conjunction with the Series 2007A revenue bonds in February 2007 (see below). The total return swap was terminated at the time of refinancing.

- (b) In October 2006, the Hospitals Center issued through DASNY the Series 2006A revenue bonds totaling \$94.6 million. Concurrently with the issuance of the Series 2006A bonds, DASNY issued \$27.4 million in taxable revenue bonds (Series 2006B) on behalf of the Hospitals Center. The Series 2006A bonds are payable at varying dates through July 2026 at a fixed rate of 4.80%. The Series 2006B bonds have been privately placed with a commercial bank with a fixed interest rate of 6.09% maturing in July 2012.

The proceeds of the Series 2006A and Series 2006B bonds were used to advance refund the Hospitals Center's portion of the outstanding indebtedness on the Series 2000A bonds. In connection with this transaction, the Hospitals Center recorded a non-cash loss on refinancing of approximately \$10.8 million. This loss is primarily the result of a write-off of unamortized Series 2000A deferred financing costs totaling \$2.8 million and the Hospitals Center's requirement to borrow additional debt totaling \$8.0 million to retire the existing Series 2000A revenue bonds. As a result of this transaction, the Hospitals Center and MSH are no longer co-obligated on indebtedness. Accordingly, the Hospitals Center withdrew from the Obligated Group on October 4, 2006 (see Note 1).

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

6. Long-term Debt (continued)

In conjunction with the Master Trust Indenture Agreement (former and current agreements), various types of security agreements were executed. The agreements include pledging, as collateral, a security interest in the Hospitals Center's property, plant and equipment, gross receipts and limitations on the use of certain assets, including the transfer of assets to entities outside the Hospitals Center.

- (c) The Hospitals Center has entered into an agreement with the University whereby it will continue to make principal and interest payments on long-term debt for which the University is the primary obligor, but for which the original funds were used to purchase property and equipment at the Hospitals Center. The Hospitals Center's obligation includes annual principal repayments through July 2011. The bonds bear interest at rates ranging from 1.5% to 5.0%.
- (d) During 2003, the Hospitals Center entered into an accounts receivable lending agreement. Under the terms of the agreement, the Hospitals Center received \$17.0 million in cash and recorded a corresponding amount of long-term debt representing the borrowing which is collateralized by accounts receivable. In 2004, the Hospitals Center refinanced this lending agreement with another bank for the same value, or \$17.0 million. Additionally, in 2004, HJD entered into a similar accounts receivable lending agreement with a bank for \$7.0 million. At December 31, 2006 and 2005, the total amount outstanding was \$21.8 million. As of December 31, 2006, interest is payable monthly at the 90-day LIBOR plus 135 basis points (approximately 7.3%). In February 2007, the Hospitals Center renegotiated the terms of these loans. Under the renegotiated terms, the loans expire in June 2012 and interest is payable monthly at the 90-day LIBOR plus 80 basis points.
- (e) In March 2003, the Hospitals Center borrowed \$15.0 million from a bank. The proceeds of the borrowing were used to finance the tenant improvements of the 34th Street Cancer Center (see Note 11). The borrowing calls for monthly interest payments beginning in April 2003 and monthly principal payments from April 2004 through April 2008. The loan bears interest at the 30-day LIBOR plus 80 basis points (approximately 6.12% at December 31, 2006). In February 2007, this borrowing was refinanced in conjunction with the Hospitals Center's issuance of the Series 2007A revenue bonds (see below).

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

6. Long-term Debt (continued)

- (f) In June 2003, the Hospitals Center entered into a working capital facility loan agreement with a bank for \$15.0 million. In December 2006, the loan agreement was amended to increase the available line on the facility to \$35.0 million and extend the loan's maturity to December 28, 2007. At December 31, 2006, \$23.0 million has been drawn and is outstanding (\$15.0 million at December 31, 2005). Interest is payable monthly at the 30-day LIBOR plus 80 basis points (approximately 6.12% at December 31, 2006 and 5.9% at December 31, 2005).

In January 2007, the Hospitals Center entered into a loan agreement with two commercial banks for \$32.0 million. The proceeds were used to fund the Hospitals Center's defined benefit pension plan (see Note 8). Principal and interest are payable quarterly through December 31, 2011. Interest is payable at 90-day LIBOR plus 70 basis points (approximately 6.02% at January 31, 2007).

In February 2007, the Hospitals Center issued through DASNY Series 2007A revenue bonds totaling \$165.3 million. The Series 2007A bonds are payable at varying dates through July 2036 at a fixed rate of 5.0%. The proceeds of the Series 2007A bonds were used as follows: (1) to currently refund the outstanding Series 2000B bonds; (2) to finance certain capital expenditures of the Hospitals Center; (3) to refinance the tenant improvement loan for the 34th Street Cancer Center (see (e) above) and (4) to finance the acquisition of the 34th Street Cancer Center facility (see Note 11).

Under the terms of the various agreements listed above, the Hospitals Center is required to maintain certain financial ratios. At December 31, 2006 and 2005, the Hospitals Center was in compliance with the financial ratio covenants.

Principal payments on long-term debt are as follows (in thousands):

2007	\$ 29,266
2008	42,247
2009	8,672
2010	8,933
2011	8,468
Thereafter	169,887
Total	<u>\$267,473</u>

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

6. Long-term Debt (continued)

Interest paid during the years ended December 31, 2006 and 2005 aggregated approximately \$15.6 million (net of interest capitalized of \$1.1 million) and \$15.3 million (net of interest capitalized of \$1.0 million), respectively.

In 2005, the Hospitals Center entered into five interest rate swap derivative instruments to convert net payments on certain variable interest rate debt to fixed interest rates. A summary of the derivative instruments is as follows:

- (a) In connection with the Hospitals Center construction loan with an outstanding balance of \$13.0 million at December 31, 2006 (\$13.8 million at December 31, 2005), the Hospitals Center entered into an interest rate swap agreement on March 15, 2005. The fixed interest rate paid by the Hospitals Center under the swap agreement is 4.46% and the variable rate received is 30-day LIBOR (5.35% at December 31, 2006). The swap agreement was set to expire on March 15, 2008. The swap agreement is designated as a cash flow hedge. The fair value of the swap agreement at December 31, 2006 and 2005 is \$0.1 million (asset). In conjunction with the issuance of the Series 2007A bonds in February 2007, this swap agreement was terminated. The fair value of the swap agreement at the time of termination was \$0.1 million (asset).
- (b) In connection with the Hospitals Center working capital loan with an outstanding balance of \$23.0 million at December 31, 2006 (\$15.0 million at December 31, 2005), the Hospitals Center entered into two interest rate swap agreements on March 15, 2005. One agreement has a notional amount of \$7.0 million and the second agreement has a notional amount of \$8.0 million. The fixed interest rate paid by the Hospitals Center under these two swap agreements is 4.40% and the variable rate received is 30-day LIBOR (5.35% at December 31, 2006). The swap agreements expire on December 31, 2007. The swap agreements have been designated as cash flow hedges. The fair value of the swap agreements at December 31, 2006 is \$62,000 and \$72,000, respectively (assets) (\$54,000 and \$61,000, respectively (assets) at December 31, 2005).
- (c) In connection with the Hospitals Center Series 2000D bonds, with an outstanding balance of \$52.2 million at December 31, 2006 (\$53.4 million at December 31, 2005), the Hospitals Center entered into an interest rate swap agreement on March 15, 2005. The fixed interest rate paid by the Hospitals Center under the swap agreement is 4.413% and the variable rate received is 30-day LIBOR (5.35% at December 31, 2006). The swap agreement expires on March 15, 2008. The swap agreement has been designated as a cash flow hedge. The fair value of the swap agreement at December 31, 2006 is \$0.5 million (asset) (\$0.4 million (asset) at December 31, 2005).

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

6. Long-term Debt (continued)

(d) In connection with the Hospitals Center Series 2000B bonds, with an outstanding balance of \$24.7 million at December 31, 2006 and 2005, the Hospitals Center entered into two interest rate swap agreements on June 28, 2005. The first transaction, a total return swap, requires the Hospitals Center to pay a variable interest rate equivalent to the prevailing BMA rate at the time of settlement (6.25% at December 31, 2006). The total return swap has zero value at December 31, 2006 and 2005. In return, the Hospitals Center receives an 8% fixed interest rate, equivalent to the stated rate due to the bondholders. The second interest rate swap includes a fixed interest rate paid by the Hospitals Center of 3.10% and the variable rate received is the average BMA rate during the settlement period (July 1-January 1; January 1-July 1) (3.57% at December 31, 2006). The fair value of the swap agreement is \$0.1 million at December 31, 2006 (asset) (\$0.2 million (asset) at December 31, 2005). The swap agreements were set to expire on July 1, 2008. Payments under the swap agreements are guaranteed under a letter of credit. In conjunction with the issuance of the Series 2007A bonds in February 2007, the swap agreements were terminated. The fair value of the swap agreement at the time of termination was \$0.1 million (asset).

The fair value of the swaps is reported within other assets in the accompanying consolidated statements of financial position.

The effectiveness of the cash flow hedges is determined using a calculation that measures the cash flow impact of the expected future changes in the variable interest rate under the swap agreements (i.e., LIBOR and BMA) and the expected future changes in the variable interest rate of the related debt. The expected cash flow amounts determined in these calculations are discounted to present value and the difference between the amounts calculated for the variable payments under the swap agreements and the variable payments under the related debt represents the ineffectiveness of the cash flow hedges. The terms of the swaps in (a) through (c) above are such that the Hospitals Center has assumed the swaps to be perfectly effective. As such, the change in fair value is reported below the performance indicator.

For 2006, the Hospitals Center recognized a net gain of \$0.1 million related to the cash flow hedges (a net gain of \$0.6 million for 2005), which is reported as change in fair value of derivative instruments in the consolidated statements of operations. The change in the Series 2000B interest rate swap of \$0.1 million is reported within other revenue in the accompanying consolidated statements of operations (\$0.2 million in 2005).

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

7. Professional Liabilities Insurance Program

As described in Note 1, the accompanying consolidated financial statements include the accounts of CCC550. CCC550 was incorporated on April 20, 2005 as a segregated cell company pursuant to the Exempt Insurance Act of Barbados, 1983.

CCC550, which is associated with CCC, is solely owned by the Hospitals Center. CCC550 provides hospital professional liability and hospital general liability insurance to the Hospitals Center and professional liability insurance to voluntary attending physicians (“VAPs”) affiliated with the Hospitals Center. Prior to July 1, 2005, CCC550 also provided 100% quota share reinsurance to CCC Insurance Corporation (“CCCIC”) in respect of VAPs affiliated with the Hospitals Center.

The Hospitals Center has coverage on a modified occurrence basis, which is essentially a premium financing arrangement with premiums payable over a period of four years and interest on the deferred premium charged at 6.0%. With respect to the modified occurrence coverage, unless and until all premium installments are timely and fully paid, CCC550’s obligation is to provide coverage involving medical incidents occurring during the policy period where, also during the policy period, the claim is first commenced against the insured and is first reported by the insured to CCC550 in writing. The coverage reverts to full occurrence if all premium installments are timely and fully paid. Premiums written include \$19.9 million for premiums due over the next three years (\$14.3 million in 2005). The Hospitals Center has accrued the cost for full occurrence coverage.

Insurance is attributed to two segregated cells. The Hospitals Center’s direct coverage, and a portion of the direct and assumed reinsurance of CCCIC’s professional liability coverage provided to the Hospitals Center’s VAPs is attributed to Cell 1; the remainder of the reinsurance with respect to the VAPs coverage is attributed to Cell 2.

Each of the policies provides that only the assets available in the cell are available to satisfy the obligations attributed to that cell. The general assets of CCC550 are not available to satisfy liabilities arising under the policies issued, and each cell’s assets and liabilities are legally segregated from the assets and liabilities of the other cell and the general creditors. Assets and liabilities of the segregated cells were approximately \$96.3 million and \$5.5 million for Cell 1 and Cell 2, respectively, at December 31, 2006 (\$90.3 million and \$4.6 million, respectively, at December 31, 2005).

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

7. Professional Liabilities Insurance Program (continued)

CCC550 is required by the Exempt Insurance Act of Barbados, 1983 to comply with certain solvency criteria on a cell-by-cell basis. These requirements have been met at December 31, 2006.

Premiums Written and Ceded

Premiums written and ceded are recorded on the accrual basis and are included on a pro-rata basis over the term of the underlying policies.

Outstanding Losses and Loss Expenses

Outstanding losses and loss expenses are established to make provision for losses and loss expenses reported to CCC550 but not settled at the balance sheet date and to make a provision for losses incurred but not reported (“IBNR”). The amount of the IBNR has been determined by an independent actuary using generally accepted actuarial principles and the loss experience of the Hospitals Center. Outstanding loss reserves are stated at the discounted present value of the expected future loss payments based on estimated future payment dates over a period of seven years. The independent actuary has estimated that a reasonable range for total undiscounted outstanding losses is \$66.6 million to \$88.1 million. The amount recorded is based on undiscounted outstanding losses of \$105.2 million discounted at 5%. Had CCC550 provided for these losses at undiscounted levels, the reserve for outstanding losses and loss expenses would have increased by \$28.6 million.

The estimation of the present value of future loss payments involves not only an estimate of the amount of losses to be paid but also the timing of their payment and interest earnings for the period to payment. While management, on the advice of the independent actuary, believes that the provision for outstanding losses and loss expenses at the balance sheet date is adequate to cover the ultimate cost of losses incurred to date, net of anticipated investment earnings on reserves prior to settlement, the provision is necessarily an estimate and may ultimately be settled for a greater or lesser amount. It is reasonably possible that management will revise this estimate significantly in the near term. Any subsequent differences arising are recorded in the period in which they are determined.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

7. Professional Liabilities Insurance Program (continued)

The establishment of the provision for outstanding losses and loss adjustment expenses is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. These factors include CCC550's experience with similar cases and historical trends involving claim payment patterns and pending levels of unpaid claims. Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of CCC550's management and independent loss adjusters retained to handle individual claims, the quality of the data used for projection purposes, existing claims management and settlement practices, the effect of inflationary trends on future claims settlement costs, court decisions, economic conditions and public attitudes. In addition, time can be a critical part of the provision determination, since the longer the span between the incidence of a loss and the payment or settlement of the claims, the more variable the ultimate settlement amount can be.

Consequently, the establishment of the provision for outstanding losses and loss adjustment expenses relies on the judgment and opinion of a large number of individuals, historical precedent and trends, prevailing legal, economic, social and regulatory trends and expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

Investments

CCC550 holds cash, hedge, fixed income and equity units of CCCIT. CCCIT, a Bermuda unit investment trust, was created by five grantors, CCC550 being one, and commenced operations on January 1, 2005. The other four grantors are companies that are affiliated with CCC. The trustee of CCCIT is related to CCC550 by virtue of common shareholders. The purpose of CCCIT is to allow the grantors to invest their assets on a pooled basis. CCCIT has created a cash sub-fund represented by cash units, a hedge sub-fund represented by hedge fund units, a fixed income sub-fund represented by fixed income units and an equity sub-fund represented by equity units. Investments in CCCIT, which in the accompanying consolidated financial statements are reported as assets limited as to use, are reported at fair value.

Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

7. Professional Liabilities Insurance Program (continued)

On December 31, 2006, CCC550's cells held units in the cash, fixed income, hedge fund and equity sub-funds of CCCIT with the net asset value in the amount of approximately \$6.0 million, \$17.7 million, \$25.4 million and \$21.8 million, respectively (\$7.4 million, \$16.2 million, \$4.6 million and \$9.4 million, respectively, at December 31, 2005).

The equity sub-fund invests in a diverse portfolio of U.S. and non-U.S. common stocks which include corporate equities and REITs.

The fixed income sub-fund invests in U.S. government treasuries, U.S. government agency and state and local obligations, asset backed securities, U.S. and non-U.S. corporate securities and foreign bonds.

The hedge sub-funds comprise investments in various hedge funds.

Novation

In September 2005, certain insurance policies written within the segregated cells of CCC Insurance SCC (a company related through one of its common shareholders), were transferred with a retroactive date of July 1, 2004 into cells 1 and 2 of CCC550 by way of novation.

Amounts Due from Related Parties

During 2005, the insureds paid certain premiums due to CCC550 to CCC Insurance SCC, a company partly owned by the Hospitals Center, while bank accounts were being established for CCC550. Amounts due from related parties include VAP premium due from CCC Insurance SCC. Amounts due from related parties are interest free and repayable on demand.

Professional Liabilities Insurance Prior to 2005

Commencing July 1, 1983 through June 30, 2004, coverage for medical malpractice risks was provided through a multi-provider pooled insurance program that includes commercial coverage and a captive insurance program. Approximately half of the program coverage has been placed with commercial insurers while the other half is covered by CCCIC, in which the Hospitals Center carries an ownership interest of 16% (carried at cost). The cost of this program to the Hospitals Center was approximately \$10.6 million for the year ended

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

7. Professional Liabilities Insurance Program (continued)

December 31, 2005. At December 31, 2006, the Hospitals Center has accrued approximately \$11.7 million related to liabilities for current and prior years' insurance programs. The premiums for certain prior years' programs were payable over a deferral period of four years, ultimately ending in 2010.

HJD

HJD obtained coverage through the program described above effective January 1, 2006. Effective January 1, 1996 and through 2005, HJD obtained occurrence-based professional liability insurance through CCC. The CCC program provided insurance coverage from commercial carriers, as well as a captive insurance company owned by other not-for-profit institutions. HJD's insurance coverage was provided through the Hospitals Center. Prior to 1996, HJD established an irrevocable self-insurance trust for the purpose of paying professional liability losses for incidents occurring during the period from April 1, 1977 through December 31, 1982 and subsequent to January 1, 1985, and for general liability losses for incidents occurring during the period from April 1, 1977 through December 31, 1981. During these periods, excess coverage was maintained above the self-insured retention limits.

Beyond the self-insured layer, and for all periods other than those mentioned above, HJD participated in an insurance program with various other health care facilities (principally hospitals) affiliated with the Federation of Jewish Philanthropies of New York. This participation and coverage were through a captive insurance company and commercial insurance companies.

Provisions for the self-insured portion of professional liability losses and expenses included in the consolidated statements of operations are based on the actuarially determined present value of liabilities resulting from asserted and unasserted incidents. The balance in the self-insurance trust at December 31, 2006 and 2005 consists primarily of fixed income securities and includes the provisions funded and accumulated investment income earned thereon, net of losses and expenses paid.

8. Pension and Postretirement Benefits Plans

The Hospitals Center participates in contributory and noncontributory pension plans, which cover substantially all of its employees. A defined contribution plan is available to certain categories of employees, which provides for the purchase of a lifetime annuity upon

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

8. Pension and Postretirement Benefits Plans (continued)

retirement with the accumulated value of such contributions. The Hospitals Center also contributes to pension plans for union employees based upon rates required under contractual arrangements. During 2006 and 2005, the Hospitals Center contributed approximately \$7.6 million and \$7.0 million, respectively, to such union plans.

Certain other employees, including HJD, are covered by the Hospitals Center's noncontributory defined benefit plan. These benefits are based on years of service and the employee's five highest years of average compensation during the last ten years of employment. The Hospitals Center's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements as set forth in the Employee Retirement Income Security Act of 1974.

Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Effective July 1, 2000, the Hospitals Center's retirement program was changed to offer current employees participating in the defined benefit plan an option to participate in a 403(b) annuity plan or to continue participating in the defined benefit plan. Slightly less than 60% of affected employees chose to join the 403(b) annuity plan, resulting in a curtailment in the defined benefit plan. Newly hired employees have the option to enroll in the 403(b) annuity plan.

In addition to the Hospitals Center's pension plans, the Hospitals Center provided health care benefits to certain eligible retired employees. The Hospitals Center accounts for such benefits in accordance with Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions*, which requires the accrual of the obligation to provide postretirement health care benefits during the years in which employees provide service. The Hospitals Center is not required to fund the postretirement benefit obligation.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

8. Pension and Postretirement Benefits Plans (continued)

A summary of the change in funded status, fair value of plan assets and components of net periodic benefit cost for the defined benefit pension and postretirement plans as of and for the years ended December 31, 2006 and 2005 are as follows (in thousands):

	2006		2005	
	Pension Benefits	Postretirement Benefits	Pension Benefits	Postretirement Benefits
Reconciliation of the benefit obligations				
Obligation at January 1	\$ 236,561	\$ 46,204	\$ 204,422	\$ 43,788
Service cost	5,093	2,544	4,756	2,076
Interest cost	13,391	2,758	12,813	2,698
Actuarial (gain) loss	(10,888)	7,094	20,608	6,739
Amendments	–	(6,664)	–	(6,689)
Participant contributions	–	823	–	416
Benefits paid	(6,627)	(2,880)	(6,038)	(2,824)
Obligation at December 31	<u>237,530</u>	<u>49,879</u>	<u>236,561</u>	<u>46,204</u>
Fair value of plan assets				
Fair value of plan assets at January 1	160,329	–	149,386	–
Actual return on plan assets	13,381	–	9,865	–
Employer contribution	2,758	–	7,116	–
Benefits paid	(6,627)	–	(6,038)	–
Fair value of plan assets at December 31	<u>169,841</u>	<u>–</u>	<u>160,329</u>	<u>–</u>
Funded status				
Funded status at December 31	(67,689)	(49,879)	(76,232)	(46,204)
Unrecognized net prior service cost	(160)	(12,340)	(222)	(6,689)
Unrecognized net actuarial loss	47,259	25,049	61,449	19,170
Net amount recognized	(20,590)	(37,170)	(15,005)	(33,723)
Additional minimum pension liability	(29,108)	–	(38,018)	–
Accrued cost	<u>\$ (49,698)</u>	<u>\$ (37,170)</u>	<u>\$ (53,023)</u>	<u>\$ (33,723)</u>

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

8. Pension and Postretirement Benefits Plans (continued)

The amendments to the postretirement benefit plan in 2005 reflect changes to deductibles, co-insurance, out-of-pocket costs and the cost of prescription drugs for plan participants. The changes took effect January 1, 2006. The amendments to the postretirement benefit plan in 2006 reflect changes to the contribution rate for eligible retirees over the age of 65.

Pension obligation and asset information are as follows at December 31 (in thousands):

	2006	2005
Projected benefit obligation	\$ 237,530	\$236,561
Accumulated benefit obligation	\$ 219,539	\$213,353
Fair value of plan assets	\$ 169,841	\$160,329

In 2006 and 2005, the Hospitals Center recorded an additional minimum pension liability for the underfunding of the defined benefit pension plan. The liability represents the excess of the accumulated benefit obligation over the fair value of plan assets, adjusted for previously recorded pension cost liabilities.

Components of net periodic benefit cost are as follows (in thousands):

	2006		2005	
	Pension Benefits	Postretirement Benefits	Pension Benefits	Postretirement Benefits
Service cost	\$ 5,093	\$ 2,544	\$ 4,756	\$ 2,076
Interest cost	13,391	2,758	12,813	2,698
Expected return on plan assets	(13,965)	-	(13,223)	-
Prior service cost	(61)	(1,013)	-	-
Net amortization	3,885	1,215	2,186	643
Net periodic benefit cost	\$ 8,343	\$ 5,504	\$ 6,532	\$ 5,417

For measurement purposes at year-end, an 8.0% and 9.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2006 and 2005, respectively. The rate was assumed to decrease gradually to 4.75% in 2014 and thereafter.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

8. Pension and Postretirement Benefits Plans (continued)

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

	2006		2005	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	<i>(In thousands)</i>			
Effect on total of service and interest cost components	\$ 1,063	\$ (837)	\$ 935	\$ (742)
Effect on postretirement benefit obligation	7,584	(6,167)	6,829	(5,610)

Measurement Date

The measurement date used to determine pension and postretirement benefit measurement is December 31.

Plan Assets

The Hospitals Center's pension plan assets, by asset category, are as follows at December 31:

	2006	2005
Cash and cash equivalents	1%	2%
Mutual funds	35	36
Equity securities	38	34
Common collective trusts	26	28
	100%	100%

Assumptions

Weighted average assumptions used to determine benefit obligations at December 31 are as follows:

	2006	2005
Discount rate	6.00%	5.75%
Rate of compensation increase	4.00	4.00

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

8. Pension and Postretirement Benefits Plans (continued)

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31 are as follows:

	<u>2006</u>	<u>2005</u>
Discount rate	5.75%	6.25%
Expected long-term rate of return on plan assets	8.75	8.75
Rate of compensation increase	4.00	4.00

The overall expected long-term rate of return on plan assets is based on the historical returns of each asset class weighted by the target asset allocation. The target asset allocation has been selected consistent with desired risk and return characteristics.

Investment Policy

The overall investment objective of the pension trust fund is to outperform a composite benchmark (an asset-weighted series of market indices used to measure the performance of each asset class) over a market cycle, while maintaining similar risk to the benchmark.

The portfolio is structured with a target allocation of 50% fixed income securities and 50% equity securities with a range of 40% to 60% for each asset class.

Cash Flows

Contributions: The Hospitals Center expects to contribute approximately \$33.3 million (see Note 6) and \$7.8 million to its pension plan in 2007 and 2008, respectively.

Estimated future benefit payments: The Hospitals Center expects to pay the following pension and postretirement benefit payments, which reflect expected future service, as appropriate (in thousands):

2007	\$ 9,920
2008	11,106
2009	12,490
2010	14,203
2011	15,608
2012 to 2016	98,478

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

8. Pension and Postretirement Benefits Plans (continued)

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 benefits plans that provide a benefit that is at least actuarially equivalent to Medicare Part D.

During 2004, the Hospitals Center adopted Financial Accounting Standards Board Staff Position (“FSP”) No. 106-2. FSP No. 106-2 establishes guidelines for companies that sponsor defined benefit postretirement health care plans that provide prescription drug benefits under Medicare Part D. Those guidelines address situations in which a company has determined that the benefit provided is at least actuarially equivalent to Medicare Part D benefits. Actuarial equivalence, based on preliminary guidance, would be based on a two-prong test, including a gross value test and a net value test, which takes into account retiree contributions.

In accordance with FSP No. 106-2, the Hospitals Center has determined that, as of January 1, 2004, the benefit provided to retirees is actuarially equivalent to Medicare Part D and should be accounted for as such. The estimated future subsidy payments to be received are as follows (in thousands):

2007	\$ 198
2008	233
2009	266
2010	301
2011	339
Thereafter	2,405

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

8. Pension and Postretirement Benefits Plans (continued)

New Accounting Pronouncement

In September 2006, the FASB issued Statement No. 158 (“Statement 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 that offer defined benefit postretirement benefit plans. Statement 158 requires an entity to recognize in its statement of financial position an asset, for a defined benefit postretirement plan’s overfunded status, or a liability, for a plan’s underfunded status; measure a defined benefit postretirement plan’s assets and obligations that determine funded status as of the end of the employer’s fiscal year; and recognize the periodic change in the funded status of a defined benefit postretirement plan as a component of changes in unrestricted net assets in the year in which the change occurs.

Statement 158 does not change the amount of net periodic benefit cost recognized or address various measurement issues associated with postretirement benefit plan accounting. Such issues are being reconsidered by the FASB. The requirement to recognize the funded status of a defined benefit postretirement plan and related disclosure requirements are effective for the Hospitals Center for the year ending December 31, 2007. The Hospitals Center currently measures its plan assets and benefit obligations as of the date of its fiscal year-end and, consequently, Statement 158’s requirements related to measurement timing will not have an effect on the Hospitals Center’s consolidated financial statements. The Hospitals Center has not determined the effect of Statement 158 on its consolidated financial statements.

9. Functional Expenses

Expenses by function related to the provision of health care services are as follows for the years ended December 31 (in thousands):

	<u>2006</u>	<u>2005</u>
Health care related services	\$ 879,232	\$ 847,717
General and administrative	128,945	124,354
	<u>\$ 1,008,177</u>	<u>\$ 972,071</u>

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

10. Related Organizations

As of December 31, 2006 and 2005, the amounts due from (to) related organizations are as follows (in thousands):

	2006	2005
Due from (to) related organizations:		
Current:		
Downtown (a)	\$ 58	\$ –
MSH (b)	(125)	(170)
HSO (c)	(18)	84
University (d)	(5,606)	(1,701)
34 th Street Cancer Center, Inc. (e)	(498)	(490)
CCC Insurance SCC (f)	–	242
	\$ (6,189)	\$ (2,035)

- (a) As described in Note 1, the HSO and, consequently, the Hospitals Center discontinued the affiliation with Downtown. Effective May 31, 2005, the Hospitals Center entered into agreements with Downtown pursuant to which Downtown paid the Hospitals Center \$6.0 million towards settlement of amounts payable to the Hospitals Center for services rendered to Downtown. In addition, Downtown transferred to escrow \$3.8 million, of which \$1.8 million was to be paid to the Hospitals Center for services rendered through the end of 2005, with the additional \$2.0 million payable to the Hospitals Center upon substantial completion of information technology transfer services. On December 29, 2005, the Hospitals Center and Downtown entered into an agreement that certified the transition of certain information technology services to Downtown. Accordingly, the \$2.0 million in escrow was released and transferred to the Hospitals Center. In addition, the Hospitals Center and Downtown agreed to extend the delivery of certain administrative and information technology services through December 31, 2007.

During 2006 and 2005, total services provided to Downtown amounted to approximately \$0.6 million and \$2.3 million, respectively.

During 2005, approximately \$0.8 million of reserves associated with related party receivables was determined to be no longer needed and such amount was reversed.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

- (b) Amounts owed at December 31, 2006 and 2005 represent the net balance of shared services between MSH and the Hospitals Center.
- (c) The amounts owed from and due to the HSO at December 31, 2006 and 2005 represent the unpaid allocation of shared services provided by the HSO to the Hospitals Center, HJD and Downtown. The unpaid amounts further allocated to Downtown are included in (a) above. The total services allocated during 2006 and 2005 were approximately \$12,000 and \$2.5 million, respectively. As of December 31, 2006, there are no longer any shared services between the Hospitals Center and the HSO.
- (d) Certain services are shared between the University (including the NYU School of Medicine) and the Hospitals Center. At December 31, 2006 and 2005, the amounts owed to the University related to these shared services were approximately \$5.6 million and \$1.7 million, respectively.
- (e) Amounts owed to the 34th Street Cancer Center, Inc. as of December 31, 2006 and 2005 primarily represent funds held by the Hospitals Center for the construction of certain patient treatment areas at the Cancer Center that are owned by 34th Street Cancer Center, Inc. (see Note 11).
- (f) Amounts owed by CCC Insurance SCC are related primarily to outstanding premiums.

11. Commitments and Contingencies

Litigation

The Hospitals Center is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. Management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on the Hospitals Center's consolidated financial position.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

11. Commitments and Contingencies (continued)

34th Street Cancer Center

On October 1, 2003, the Hospitals Center entered into a management agreement with Aptium (formerly known as SHC-NY Consulting Services, Inc.) to perform the patient billing and administrative functions for the 34th Street Cancer Center (“Cancer Center”). Under the terms of the agreement, the Hospitals Center pays Aptium for the services provided beginning in December 2004 through and including September 2019. Under the terms of the agreement, the Hospitals Center is committed to pay the minimum base management fees approximately as follows over the next five years: \$1.9 million in 2007, \$1.9 million in 2008, \$2.0 million in 2009, \$2.0 million in 2010 and \$2.0 million in 2011. In the event that the management agreement is terminated, both the Hospitals Center and Aptium have been granted rights to seek reimbursement and/or other forms of restitution from one another and termination payments may be required, as defined in the agreement.

During 2003, work commenced on the construction of a new Cancer Center. The property was owned and the building was constructed by a third-party developer and was leased to the Hospitals Center. The Cancer Center is a 13-story, 115,000 square foot facility that consolidates and expands the previous outpatient services of the Hospitals Center. Construction of the new Cancer Center at 34th Street was completed and the Cancer Center opened for services in July 2004.

During 2004, the 34th Street Cancer Center, Inc. (the “Institution”) was incorporated as a New York not-for-profit 501(c)(3) corporation, the purpose of which is to support the construction and operation of the Cancer Center. The Institution is governed by a three-person Board of Trustees, one of whom serves by designation from the Hospitals Center, one of whom serves by designation from the regional chapter of the American Cancer Society, and the third of whom is a civic leader appointed by the other two trustees. All officers of the Institutions are officers of the Hospitals Center. The Institution is not included in the accompanying consolidated financial statements because the Hospitals Center does not control the Institution’s Board of Trustees.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

11. Commitments and Contingencies (continued)

In December 2004, the Institution obtained financing to acquire the land and building where the Cancer Center is located from the third-party developer. The financing, totaling \$72.13 million, was arranged via a bank syndicate which provided letter of credit enhancement for a commercial paper offering. The transaction was closed in escrow in December 2004 and the property was sold from the developer to the Institution on January 3, 2005. The terms of the borrowing required quarterly interest and principal payments beginning in April 2005 over a 20-year lease period at a taxable commercial paper interest rate (approximates 30-day LIBOR) plus 20 basis points (7.65% at December 31, 2006 (including letter of credit enhancement)).

The Institution executed an operating lease with the Hospitals Center for the occupancy of this facility. The Hospitals Center paid rent on a quarterly basis to provide for the Institution's debt service on its borrowing. In February 2007, the Hospitals Center purchased the Cancer Center in conjunction with the Hospitals Center's issuance of the Series 2007A bonds.

Included in other assets as of December 31, 2006 are approximately \$2.9 million (\$3.0 million at December 31, 2005) in net costs incurred by the Hospitals Center in connection with the Cancer Center. These costs were amortized over the term of the lease.

Collective Bargaining Agreements

Approximately 34.1% of the Hospitals Center's employees are union employees who are covered under the terms of various collective bargaining agreements. Less than 1% of employees are subject to collective bargaining agreements that are set to expire during 2007.

Information Technology Outsourcing

During 2003, the Hospitals Center entered into a ten-year, information technology outsourcing contract with a technology company. In 2007, the terms of the outsourcing contract were renegotiated and shortened to a five-year period commencing on February 1, 2007.

Under the terms of the revised outsourcing agreement, the Hospitals Center is committed to pay annual fees approximately as follows: \$13.2 million in 2007, \$8.9 million in 2008, \$9.0 million in 2009, \$9.1 million in 2010, \$9.3 million in 2011 and \$0.8 million thereafter. The outsourcing contract includes certain penalties in the event of termination prior to the end of

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

11. Commitments and Contingencies (continued)

the contract period. As a result of the revised outsourcing agreement, the Hospitals Center wrote off in 2006 approximately \$2.5 million in prepaid costs associated with the original ten-year contract.

Operating Leases

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

2007	\$ 28,504
2008	28,680
2009	26,676
2010	25,935
2011	20,705
Thereafter	137,143
Total minimum lease payments	<u>\$ 267,643</u>

Total rent expense for 2006 and 2005 was \$36.1 million and \$33.7 million, respectively.

Other

The Hospitals Center is self-insured for workers' compensation benefits. In connection with being self-insured, the Hospitals Center has stand-by letters of credit aggregating approximately \$12.4 million at December 31, 2006. Cash and marketable securities collateralize the letters of credit.

During 2000, the Hospitals Center became self-insured, based on individual employees' elections for medical and pharmaceutical benefits. Liabilities have been accrued at December 31, 2006 and 2005 based on expected future payments pertaining to such years.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

12. Temporarily Restricted Net Assets

At December 31, 2006 and 2005, temporarily restricted net assets were restricted for the following purposes (in thousands):

	December 31	
	2006	2005
Specific purpose and capital	\$ 56,055	\$ 13,902
Time restriction	12,786	14,761
	\$ 68,841	\$ 28,663

During 2006 and 2005, net assets were released from restrictions in satisfaction of the following restrictions (in thousands):

	Year ended December 31	
	2006	2005
Specific purpose	\$ 202	\$ 6,287
Capital	1,239	–
Time restriction	7,497	1,561
	\$ 8,938	\$ 7,848

13. Fair Values of Financial Instruments

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

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

Investments in marketable securities and other investments: These assets consist primarily of U.S. government securities, money market funds and marketable equity and debt securities. Fair values are based on quoted market prices. Other investments include alternative investments whose fair values are based on quoted market prices and estimates of fair value for underlying instruments that are not readily marketable. Certain other investments are recorded at cost, which approximates fair value.

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

13. Fair Values of Financial Instruments (continued)

Assets limited as to use: These assets consist primarily of U.S. government securities and cash, hedge, fixed income and equity units of CCCIT. Fair values are based on quoted market prices.

Derivative instruments: The fair values of the interest rate swap agreements are determined using forward interest yield curves and present value techniques.

Long-term debt: Fair values of the Hospitals Center's long-term debt are based on current borrowing rates for similar types of debt, using discounted cash flow analyses.

The carrying values and fair values of the Hospitals Center's financial instruments as of December 31 are as follows:

	2006		2005	
	Carrying Values	Fair Values	Carrying Values	Fair Values
	<i>(In Thousands)</i>			
Cash and cash equivalents	\$ 81,169	\$ 81,169	\$ 42,640	\$ 42,640
Marketable securities and other investments	55,150	55,150	38,594	38,594
Assets limited as to use	103,490	103,490	67,998	67,998
Derivative instruments	877	877	814	814
Long-term debt	270,892	269,216	256,495	296,889

NYU Hospitals Center

Notes to Consolidated Financial Statements (continued)

14. Other Revenue

Other revenue comprises the following for the years ended December 31, 2006 and 2005 (in thousands):

	<u>2006</u>	<u>2005</u>
Malpractice dividend	\$ —	\$ 6,872
Cafeteria and catering	5,065	4,999
FPO revenue	2,044	1,532
Facility practice fees	11,953	12,335
Overhead income	3,433	4,084
Pharmacy	7,698	8,459
Programmatic gifts	8,047	6,618
Grants and contracts	6,360	5,195
Other revenue	9,282	16,537
	<u>\$ 53,882</u>	<u>\$ 66,631</u>

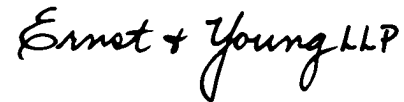
Other Financial Information

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Report of Independent Auditors on Other Financial Information

Board of Trustees
NYU Hospitals Center

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The following financial information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements of NYU Hospitals Center. We did not audit the financial statements of CCC550 Insurance SCC (“CCC550”). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for CCC550, is based solely on the report of the other auditors. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



March 22, 2007

NYU Hospitals Center

Consolidating Statement of Financial Position

December 31, 2006

	NYU Hospitals Center	CCC550	Eliminations	Total
	<i>(In Thousands)</i>			
Assets				
Current assets:				
Cash and cash equivalents	\$ 81,169	\$ —	\$ —	\$ 81,169
Patient accounts receivable, net	125,677	—	—	125,677
Insurance receivables—billed	—	10,917	(2,923)	7,994
Insurance receivables—unbilled	—	19,902	(19,902)	—
Marketable securities	27,321	—	—	27,321
Assets limited as to use	9,170	—	—	9,170
Inventories	21,787	—	—	21,787
Other current assets	46,007	130	—	46,137
Total current assets	311,131	30,949	(22,825)	319,255
Marketable securities and other investments	32,698	—	(4,869)	27,829
Assets limited as to use	23,295	71,025	—	94,320
Other assets	64,624	—	—	64,624
Deferred financing costs	6,447	—	—	6,447
Property, plant and equipment—net	327,727	—	—	327,727
Total assets	\$ 765,922	\$ 101,974	\$ (27,694)	\$ 840,202

NYU Hospitals Center

Consolidating Statement of Financial Position (continued)

December 31, 2006

	NYU Hospitals Center	CCC550	Eliminations	Total
	<i>(In Thousands)</i>			
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 96,407	\$ 286	\$ —	\$ 96,693
Accrued salaries and related liabilities	19,827	—	—	19,827
Accrued interest payable	2,930	—	—	2,930
Unearned premiums	—	18,066	(8,313)	9,753
Current portion of long-term debt	29,266	—	—	29,266
Due to related organizations, net	6,189	—	—	6,189
Other current liabilities	31,698	—	(14,512)	17,186
Total current liabilities	186,317	18,352	(22,825)	181,844
Long-term debt, less current portion	241,626	—	—	241,626
Outstanding losses and loss adjustment expenses	—	76,654	—	76,654
Accrued pension liabilities	49,698	—	—	49,698
Accrued postretirement liabilities	37,170	—	—	37,170
Other liabilities	40,190	—	—	40,190
Total liabilities	555,001	95,006	(22,825)	627,182
Net assets:				
Unrestricted	133,327	6,968	(4,869)	135,426
Temporarily restricted	68,841	—	—	68,841
Permanently restricted	8,753	—	—	8,753
Total net assets	210,921	6,968	(4,869)	213,020
Total liabilities and net assets	\$ 765,922	\$ 101,974	\$ (27,694)	\$ 840,202

NYU Hospitals Center

Consolidating Statement of Operations

Year ended December 31, 2006

	NYU Hospitals Center	CCC550	Eliminations	Total
	<i>(In Thousands)</i>			
Operating revenue				
Net patient service revenue	\$ 936,923	\$ —	\$ —	\$ 936,923
Premiums earned	—	31,784	(13,141)	18,643
Investment income	6,068	5,800	—	11,868
Contributions	6,144	—	—	6,144
Other revenue	53,882	—	—	53,882
Net assets released from restrictions for operating purposes	7,699	—	—	7,699
Total operating revenue	1,010,716	37,584	(13,141)	1,035,159
Operating expenses				
Salaries and wages	419,713	—	—	419,713
Employee benefits	116,901	—	—	116,901
Supplies and other	367,983	36,400	(13,141)	391,242
Depreciation and amortization	39,890	—	—	39,890
Interest	13,792	—	—	13,792
Bad debt expense	26,639	—	—	26,639
Total operating expenses before other item	984,918	36,400	(13,141)	1,008,177
 Excess of operating revenue over operating expenses before other item	 25,798	 1,184	 —	 26,982

Continued on following page.

NYU Hospitals Center

Consolidating Statement of Operations (continued)

Year ended December 31, 2006

	NYU Hospitals Center	CCC550	Eliminations	Total
	<i>(In Thousands)</i>			
Excess of operating revenue over operating expenses before other item	\$ 25,798	\$ 1,184	\$ —	\$ 26,982
Loss on refinancing of debt	(10,800)	—	—	(10,800)
Excess of operating revenue over operating expenses	14,998	1,184	—	16,182
Other changes in unrestricted net assets				
Asset retirement obligation	(1,906)	—	—	(1,906)
Net change in unrealized gains and losses on investments	3,712	—	—	3,712
Change in additional minimum pension liability	8,910	—	—	8,910
Change in fair value of derivative instruments	122	—	—	122
Net assets released from restrictions (for capital purposes)	1,239	—	—	1,239
Contributions for capital asset acquisitions	2,470	—	—	2,470
Net increase in unrestricted net assets	<u>\$ 29,545</u>	<u>\$ 1,184</u>	<u>\$ —</u>	<u>\$ 30,729</u>

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Appendix B-2

**Unaudited Financial Statements of NYU Hospitals Center as of
August 31, 2007 and for the eight-month period then ended**

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NYU HOSPITALS CENTER
Consolidated Statement of Financial Position
As of August 31, 2007 and December 31, 2006
(In Thousands)

	(Unaudited) August 31, 2007	(Audited) December 31, 2006		(Unaudited) August 31, 2007	(Audited) December 31, 2006
<u>Assets</u>			<u>Liabilities and net assets</u>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 92,274	\$ 81,169	Accounts payable and accrued expenses	\$ 91,615	\$ 96,693
Patient accounts receivable, net of allowance for doubtful accounts (\$47,563 in 2007; \$41,841 in 2006)	131,970	125,677	Accrued salaries and related liabilities	23,041	19,827
Insurance receivables-billed	20,294	7,994	Accrued interest payable	4,079	2,930
Marketable securities	30,013	27,321	Unearned premiums	24,093	9,753
Assets limited as to use	10,330	9,170	Current portion of long-term debt	45,564	29,266
Inventories	21,801	21,787	Due to related organizations, net	4,296	6,189
Other current assets	46,372	46,137	Other current liabilities	13,721	17,186
Total current assets	353,054	319,255	Total current liabilities	206,409	181,844
Marketable securities and other investments	29,698	27,829	Long-term debt, less current portion	387,703	241,626
Assets limited as to use	162,769	94,320	Outstanding losses and loss adjustment expenses	104,713	76,654
Other assets	65,901	64,624	Accrued pension liabilities	20,226	49,698
Deferred financing costs	10,012	6,447	Accrued postretirement liabilities	39,182	37,170
Property, plant and equipment, net	427,067	327,727	Other liabilities	48,635	40,190
Total assets	\$ 1,048,501	\$ 840,202	Total liabilities	806,868	627,182
			Net assets:		
			Unrestricted	159,449	135,426
			Temporarily restricted	73,431	68,841
			Permanently restricted	8,753	8,753
			Total net assets	241,633	213,020
			Total liabilities and net assets	\$ 1,048,501	\$ 840,202

See accompanying notes.

NYU HOSPITALS CENTER
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE EIGHT MONTHS ENDED AUGUST 31, 2007 AND 2006
(IN THOUSANDS)

	(Unaudited)	
	For the eight months ended	
	August 31, 2007	August 31, 2006
<u>Operating revenue</u>		
Net patient service revenue	\$ 690,691	\$ 620,873
Premiums earned	15,000	11,444
Investment income	10,459	5,040
Other revenue	36,111	34,631
Unrestricted contributions	1,517	1,958
Net assets released from restrictions for operating purposes	1,297	1,083
Total operating revenue	755,075	675,029
<u>Operating expenses</u>		
Salaries and wages	296,321	275,928
Employee benefits	84,169	77,440
Supplies and other	290,735	255,145
Interest	13,083	10,455
Depreciation and amortization	28,795	26,538
Bad debt expense	16,803	16,004
Total operating expenses before other item	729,906	661,510
Excess of operating revenue over operating expenses before other item	25,169	13,519
Loss on refinancing of debt	(3,278)	-
Excess of operating revenue over operating expenses	21,891	13,519
<u>Other changes in unrestricted net assets</u>		
Net unrealized gain on investments and interest rate swap agreements	2,041	1,147
Net assets released from restrictions for capital	91	167
<u>Change in unrestricted net assets</u>	\$ 24,023	\$ 14,833

See accompanying notes.

NYU Hospitals Center

**Consolidated Statement of Changes in Net Assets
Eight Months Ended August 31, 2007 (Unaudited) and the Year Ended December 31, 2006 (Audited)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Net assets at January 1, 2006	\$ 104,697	\$ 28,663	\$ 13,942	\$ 147,302
Increase in unrestricted net assets	30,729	-	-	30,729
Net assets released from restrictions	-	(8,938)	-	(8,938)
Interest income, dividends and realized gains	-	148	-	148
Gifts, bequest and other items	-	49,806	500	50,306
Transfers of net assets	-	(838)	(5,689)	(6,527)
Total change in net assets	30,729	40,178	(5,189)	65,718
Net assets at December 31, 2006	\$ 135,426	\$ 68,841	\$ 8,753	\$ 213,020
Net assets at January 1, 2007	\$ 135,426	\$ 68,841	\$ 8,753	\$ 213,020
Increase in unrestricted net assets	24,023	-	-	24,023
Net assets released from restrictions	-	(1,388)	-	(1,388)
Interest income, dividends and realized gains	-	100	-	100
Gifts, bequest and other items	-	5,878	-	5,878
Total change in net assets	24,023	4,590	-	28,613
Net assets at August 31, 2007	\$ 159,449	\$ 73,431	\$ 8,753	\$ 241,633

See accompanying notes.

NYU Hospitals Centers
Consolidated Statement of Cash Flows

(Unaudited) Eight Months Ended August 31, 2007	(Audited) Year Ended December 31, 2006
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(In Thousands)

Cash flows from operating activities

Change in net assets	\$ 28,613	\$ 65,718
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	28,795	39,890
Amortization of premium	4,014	2,514
Permanently restricted contributions	-	(500)
Loss on refinancing of debt	3,278	10,800
Net change in unrealized gains and losses on investments	(2,370)	(3,712)
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(6,293)	16,771
Insurance receivables	(12,300)	7,292
Accounts payable and accrued expenses	(5,078)	(7,972)
Accrued salaries and related benefits	3,214	202
Accrued interest payable	1,149	(1,838)
Unearned premium	14,340	(5,807)
Due to and from related organizations	(1,893)	4,154
Outstanding losses and loss adjustment expenses	28,059	34,805
Other operating liabilities	(22,480)	791
Other operating assets	(1,526)	(21,759)
Net cash provided by operating activities	59,522	141,349

Cash flows from investing activities

Net acquisitions of property, plant and equipment	(128,135)	(54,434)
Changes in investments, net	(2,191)	(12,843)
Increase in assets limited as to use	(69,609)	(35,492)
Net cash used in investing activities	(199,935)	(102,769)

Cash flows from financing activities

Permanently restricted contributions	-	500
Proceeds from borrowing on line of credit	12,000	8,000
Proceeds from issuance of long-term debt	194,022	124,701
Retirement of long-term debt	(37,652)	(121,625)
Principal payments on long-term debt	(13,287)	(7,047)
Payment on deferred financing costs	(3,565)	(4,580)
Net cash provided by (used in) financing activities	151,518	(51)

Net increase in cash and cash equivalents	11,105	38,529
Cash and cash equivalents at beginning of period	81,169	42,640
Cash and cash equivalents at end of period	\$ 92,274	\$ 81,169

See accompanying notes.

NYU Hospitals Center
Notes to Consolidated Financial Statements
As of August 31, 2007
(Unaudited)

Note A – Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States applied on a basis substantially consistent with that of the 2006 audited consolidated financial statements of NYU Hospitals Center (“NYUHC”). They do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Note B – Use of Estimates

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

Note C – Retirement Plans

NYUHC participates in contributory and noncontributory pension plans, which cover substantially all of its employees. A defined contribution plan is available to certain categories of employees, which provides for the purchase of a lifetime annuity upon retirement with the accumulated value of such contributions. NYUHC also contributes to pension plans for union employees based upon rates required under contractual arrangements. For the eight months ended August 31, 2007 and 2006, NYUHC contributed approximately \$4.9 million and \$4.6 million, respectively, to such union plans.

Certain other employees are covered by NYUHC’s noncontributory defined benefit plan. NYUHC’s funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements as set forth in the Employee Retirement Income Security Act of 1974.

Pension expense related to this noncontributory defined benefit plan included in the statements of operations for the eight months ended August 31, 2007 and 2006 totaled \$3.8 million and \$5.0 million, respectively.

In September 2006, the FASB issued Statement No. 158 (“Statement 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 that offer defined benefit postretirement benefit plans. Statement 158 requires an entity to recognize in its statement of financial position an asset, for a defined benefit postretirement plan’s overfunded status, or a liability, for a plan’s underfunded status; measure a defined benefit postretirement plan’s assets and obligations that determine funded status as of the end of the employer’s fiscal year; and recognize the periodic change in the funded status of a defined benefit postretirement plan as a component of changes in unrestricted net assets in the year in which the change occurs.

Statement 158 does not change the amount of net periodic benefit cost recognized or address various measurement issues associated with postretirement benefit plan accounting. Such issues are being reconsidered by the FASB. The requirement to recognize the funded status of a defined benefit postretirement plan and related disclosure requirements are effective for NYUHC for the year ending December 31, 2007. NYUHC currently measures its plan assets and benefit obligations as of the date of its fiscal year-end and, consequently, Statement 158’s requirements related to measurement timing will not have an effect on NYUHC’s consolidated financial statements. NYUHC has not determined the effect of Statement 158 on its consolidated financial statements.

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 brief summary of certain provisions of the Loan Agreement. Such summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all provisions. Defined terms used herein have the meanings ascribed to them in Appendix A.

Termination

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

(Section 38)

Project Financing

The Authority agrees to use its best efforts to issue and deliver the Bonds. The proceeds of the Bonds will be applied as specified in the Resolution, the Series Resolutions authorizing the issuance of the Bonds or the respective Bond Series Certificate relating to such Bonds.

(Section 4)

Construction of Projects

The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and under the Loan Agreement, the Institution will complete the acquisition, design, construction, reconstruction, rehabilitation and improving or otherwise providing and furnishing and equipping of each Project in connection with which the Authority has issued Bonds, substantially in accordance with the Contract Documents relating thereto. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the applicable Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by an Authorized Officer of the Authority and the Commissioner of Health.

(Section 5)

Amendment of a Project; Cost Increases; Additional Bonds

A Project may be amended by the Institution upon compliance with Governmental Requirements and with the prior written consent of an Authorized Officer of the Authority and the Department of Health to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, improving, or otherwise providing, furnishing and equipping of a Project which the Authority is authorized to undertake.

Except as provided in the Loan Agreement, the Institution covenants that it will not transfer, sell, encumber or convey any interest in the Project or any part thereof or interest therein, including development rights (relating to any Project finance with tax-exempt bond proceeds), without complying with Governmental Requirements and obtaining the prior written consent of the Authority.

(Section 6)

Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments

1. Except to the extent that moneys are available therefor under the Resolution or under the Loan Agreement, including moneys in the Applicable Debt Service Fund, but excluding moneys from the Applicable Debt Service Reserve Fund, and excluding interest accrued but unpaid on investments held in the Applicable Debt Service Fund, the Institution unconditionally agrees to pay or cause to be paid, so long as Applicable Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it, including payments to be made under the Master Indenture:

(a) On or before the date of delivery of the Series 2007B Bonds, payment of the Authority Fee and payment of the Department of Health fee;

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

(c) On the tenth (10th) day of each month commencing on the tenth (10th) day of the sixth (6th) month immediately preceding the date on which such interest becomes due, one-sixth (1/6) of the interest coming due on all Bonds issued by the Authority for the benefit of the Institution, on the immediately succeeding interest payment date for such Bonds; provided, however, that, if there are less than six (6) such payment dates prior to the first such interest payment date on the Bonds of a Series, on each payment date prior to such interest payment date the Institution will pay with respect to such Bonds an amount equal to the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on the Bonds of such Series;

(d) On the tenth (10th) day of each month commencing on the tenth (10th) day of the twelfth month immediately preceding the July on which the principal or a Sinking Fund Installment of Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installments on the Bonds coming due on such July; provided, however, that, if there are less than twelve (12) such payment dates prior to the July on which principal or Sinking Fund Installments come due on Bonds of a Series, on each payment date prior to such July the Institution will pay with respect to such Bonds an amount equal the principal and Sinking Fund Installments of such Bonds coming due on such July multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to such July;

(e) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price in lieu of redemption of Bonds previously called for redemption or contracted to be purchased is to be paid (unless as otherwise waived by the Authority), the amount required to pay the Redemption Price or purchase price in lieu of redemption of such Bonds;

(f) On December 15 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year in connection with each Series of Bonds, and on June 15 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year;

(g) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Loan Agreement, the Resolution, the Master Indenture and any Obligations issued under the Master Indenture securing any Bonds in accordance with the terms thereof, (iv) for the fees and expenses of the Trustee and any Paying Agent and reasonable attorneys fees in connection with performance of their duties under the Resolution, and (v) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of a Series of Bonds or the financing or construction of a Project or Projects;

(h) On the date a Series of Bonds, other than the Series 2007B Bonds, the Series 2007A Bonds, the Series 2006B Bonds, the Series 2006A Bonds or the Series 2000D Bonds, is issued, an amount equal to the Authority Fee;

(i) Promptly upon demand by an Authorized Officer of the Authority (a copy of which will be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to the provisions described under the caption "Defaults and Remedies" below;

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

(k) On the Business Day immediately preceding an interest payment date, if the amount on deposit in the Debt Service Fund is less than the amounts required for the payment of principal or Sinking Fund Installments of, or interest on, Bonds due and payable on such interest payment date, its proportionate share of the amount of such deficiency; and

(l) On November 10, 2006 and on the tenth day of each month thereafter, an amount equal to one-twelfth (1/12) of the annual Department of Health fee as described in the regulations of the Commissioner of Health.

Subject to the provisions of the Resolution and the Loan Agreement, the Institution will receive a credit against the amount required to be paid by the Institution during a Bond Year pursuant to paragraph (d) above on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through Sinking Fund Installments on the next succeeding July 1, the Institution delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such July 1. The amount of the credit will be equal to the principal amount of the Bonds so delivered.

The Authority directs the Institution, and the Institution agrees, to make the payments required by paragraphs (c), (d), (e), (i), and (k) above directly to the Applicable Trustee for deposit and application in accordance with the Resolution, the payments required by paragraph (b) above directly to the Applicable Trustee for deposit in a Construction Fund or other fund established under the Resolution, as directed by an Authorized Officer of the Authority, the payments required by paragraphs (a), (f), (g) and (h) above directly to the Authority, the payments required by paragraph (j) above to or upon the order of the Authority and the payments required by paragraph (l) above, directly to the Commissioner of Health. In the event that the payments required to be made directly to the Applicable Trustee pursuant to the preceding sentence are less than the total amount required to be paid to the Applicable Trustee and such payments relate to more than one Series of Bonds, the payments will be applied pro rata to each such Series of Bonds based upon the amounts then due and payable on each Applicable Series of Bonds, pursuant to paragraphs (c), (d), (e), (i) and (k) above, bears to the total amount then due and payable on all Applicable Series of Bonds pursuant to such paragraphs.

The Institution agrees that it is also obligated to make all payments when due on the Obligations to the applicable holders of the Obligations, and that the applicable holders will be entitled to so receive all payments when due on the Obligations, it being the intention of the parties to the Loan Agreement that the Obligations and the Loan Agreement are separate (but not duplicative) obligations of the Institution (and, to the extent provided in the Obligations, of the Obligated Group), that payments by the Institution (or the Obligated Group) to the Applicable Trustee pursuant to the Obligations relating to the Series 2000D Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds and the Series 2007B Bonds, respectively, will serve as a credit against amounts due from the Institution to the Authority pursuant to the Loan Agreement with regard to the Applicable Bonds and that payments by the Institution to or upon the order of the Authority pursuant to the Loan Agreement will serve as a credit against respective amounts due from the Institution (or the Obligated Group) to the Trustee pursuant to the Applicable Obligation.

2. Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in the provisions described under this caption), all moneys paid by the Institution to the Applicable Trustee pursuant to the Loan Agreement or otherwise held by the Applicable Trustee will be applied in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Applicable Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in this subdivision), (i) all moneys paid by the Institution to the Applicable Trustee pursuant to paragraphs (c), (d), (e), (i), and (k) above (other than moneys received by the Applicable Trustee pursuant to the section of the Resolution pertaining to compensation of the Trustee, which will be retained and applied by the Applicable Trustee for its own account) will be received by the Applicable Trustee as agent for the Authority in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Applicable Trustee of any moneys (other than moneys described in clause (i) of this subdivision) held by it in the Applicable Construction Fund to the Applicable Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution will be deemed, upon such transfer, receipt by the Authority from the Institution of a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the Redemption Price of the Bonds to the extent of the amount of moneys transferred. Except as otherwise provided in the Resolution, the Applicable Trustee will hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of each Applicable Series of Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of each Applicable Series of Bonds.

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

4. The Authority has the right in its sole discretion to make on behalf of the Institution any payment required pursuant to the provisions described under this caption "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" which has not been made by the Institution when due. No such payment by the Authority will limit, impair or otherwise affect the rights of the Authority under the provisions of the caption "Defaults and Remedies" below arising out of the Institution's failure to make such payment and no payment by the Authority will be construed to be a waiver of any such right or of the obligation of the Institution to make such payment.

5. The Institution, if it is not then in default under the Loan Agreement, will have the right to make voluntary payments in any amount to the Applicable Trustee. In the event of a voluntary payment, the amount so paid will be deposited in accordance with the directions of an Authorized Officer of the Authority in the Applicable Debt Service Fund or held by the Applicable Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or upon any deposit in a Debt Service Fund made pursuant to the Loan Agreement, the Authority agrees to direct the Applicable Trustee to purchase or redeem Bonds in accordance

with the Resolution or to give the Applicable Trustee irrevocable instructions in accordance with the Resolution with respect to such Series of Bonds; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Applicable Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(Section 9)

Reserve Funds

Except to the extent a deposit is made to the Applicable Debt Service Reserve Fund upon the issuance of a Series of Bonds from the proceeds of the sale of such Bonds, simultaneously with the issuance of a Series of Bonds the Institution will deliver to the Applicable Trustee for deposit in the Applicable Debt Service Reserve Fund, moneys, Government Obligations or Exempt Obligations the value of which is at least equal to its Applicable Debt Service Reserve Fund Requirement. The Institution agrees that it will at all times provide funds to the Applicable Trustee sufficient to maintain on deposit in the Applicable Debt Service Reserve Fund an amount at least equal to the Applicable Debt Service Reserve Fund Requirement; provided, however, that the Institution will be required to deliver moneys, Government Obligations or Exempt Obligations to the Applicable Trustee for deposit in the Applicable Debt Service Reserve Fund as a result of a deficiency in such fund only upon receipt of the notice required by the Resolution.

Notwithstanding the foregoing, the Institution may deliver to the Applicable Trustee for deposit to the Debt Service Reserve Fund, letters of credit, surety bonds, or insurance policies for all or any part of its proportionate share of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution.

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

All Government Obligations, Exempt Obligations or other Securities deposited with the Applicable Trustee pursuant to the Loan Agreement for deposit to a Debt Service Reserve Fund will be fully negotiable (subject to provisions for registration thereof) and the principal thereof and the interest, dividends or other income payable with respect thereto will be payable to bearer or to the registered owner. All Government Obligations, Exempt Obligations or other Securities in registered form will be registered in the name of the Applicable Trustee (in its fiduciary capacity) or its nominee. Record ownership of all Government Obligations, Exempt Obligations or other Securities will be transferred promptly following their delivery to the Applicable Trustee into the name of the Applicable Trustee (in its fiduciary capacity) or its nominee. The Institution hereby appoints the Applicable Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

The Institution agrees that upon each delivery to the Applicable Trustee of Government Obligations, Exempt Obligations or other Securities, whether initially or upon later delivery or substitution, the Institution will deliver to the Authority and the Applicable Trustee a certificate of an Authorized Officer of the Institution to the effect that the Institution warrants and represents that the Government Obligations, Exempt Obligations or other Securities delivered by the Institution (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition of such Government Obligations, Exempt

Obligations or other Securities as contemplated hereby or by the Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

(Section 10)

Consent to Pledge and Assignment by the Authority; Covenants, Representations and Warranties

The Institution consents to and authorizes the assignment, transfer or pledge, if any, by the Authority to the Applicable Trustee of the Authority's rights to receive the payments required to be made pursuant to paragraphs (c), (d), (e), (i) and (k) of paragraph 1 under the above caption "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" and any or all security interests granted by the Institution under the Loan Agreement. The Government Obligations, Exempt Obligations and other Securities pursuant to the provisions of subdivision 1 under the above caption "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" or under the above caption "Reserve Fund" and all funds and accounts established by the Resolution and pledged thereby in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated hereby whether or not the right to enforce such payment or performance will be specifically assigned by the Authority to the Applicable Trustee. The Institution further agrees that the Authority may pledge and assign to the Applicable Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Applicable Trustee authorized by the provisions under this caption "Consent to Pledge and Assignment by the Authority," the Applicable Trustee will be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor hereby or by law, any of such rights directly in its own name. Any such pledge and assignment will be limited to securing the Institution's obligation to make all payments required hereby and to performing all other obligations required to be performed by the Institution under the Loan Agreement.

The Institution covenants, warrants and represents that it is duly authorized by all applicable laws, its charter and by-laws or resolutions duly adopted pursuant thereto to enter into the Loan Agreement, to incur the indebtedness contemplated in the Loan Agreement and to pledge, grant a security interest in and assign to the Authority and the Applicable Trustee for the benefit of the Holders of the Bonds, the Government Obligations, Exempt Obligations and other Securities delivered pursuant to the Loan Agreement in the manner and to the extent provided in the Loan Agreement and in the Resolution. The Institution further covenants, warrants and represents that except with respect to additional Bonds, any and all pledges, security interests in and assignments made or to be made pursuant to the Loan Agreement are and will be free and clear of any pledge, lien, charge, security interest or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge, security interest or assignment granted or made pursuant to the Loan Agreement, and that all corporate action on the part of the Institution to that end has been duly and validly taken. The Institution further covenants that the provisions of the Loan Agreement and thereof are and will be valid and legally enforceable obligations of the Institution in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights. The Institution further covenants that it will at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Government Obligations, Exempt Obligations and other Securities delivered pursuant to the Loan Agreement and all of the rights of the Authority under the Loan Agreement and the Holders of Bonds under the Resolution against all claims and demands of all persons whomsoever. The Institution further covenants, warrants and represents that the execution and delivery of the Loan Agreement, and the consummation of the transaction contemplated in the Loan Agreement and compliance with the provisions of the Loan Agreement, including, but not limited to, the assignment as security or the granting of a security interest in the Government Obligations, Exempt Obligations and Securities delivered to the Applicable Trustee pursuant to the Loan Agreement, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

(Section 12)

Tax-Exempt Status

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a “private foundation,” as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) such letter or other notification has not been modified, limited or revoked, (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, (v) the facts and circumstances which form the basis of such listing continue to exist, and (vi) it is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that (a) it will not perform any act or enter into any agreement which will adversely affect such federal income tax status and will conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it will not perform any act or enter into any agreement which could adversely affect the exclusion of interest on any of the Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 13)

Maintenance of Corporate Existence

The Institution covenants that it will maintain its corporate existence, will continue to operate as a not-for-profit organization, will obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditations as may be necessary for the continued operation of the Projects by the Institution, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, however, that if no Event of Default has occurred and is continuing and prior approval has been obtained from the Authority and the Commissioner of Health, the Institution may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c)(3) of the Code, or any successor provision of federal income tax law, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or any other organization; provided, however, (a) that any such sale, transfer, consolidation, merger or acquisition does not in the opinion of Bond Counsel adversely affect the exemption from federal income tax of the interest paid or payable on the Bonds, (b) that the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c)(3) of the Code or any successor provision of federal income tax law, (c) that the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of and restrictions on the Institution under the Loan Agreement and furnishes to the Authority a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation will be in compliance with each of the provisions of the Loan Agreement and will meet the requirements of the Act, and (d) the surviving, resulting or transferee entity, as the case may be, will provide the Authority with such other certificates and opinions as may reasonably be required by the Authority.

(Section 15)

Use of Project

Subject to the rights, duties and remedies of the Authority under the Loan Agreement and the statutory and regulatory powers of the Department of Health, the Institution has sole and exclusive control of, possession of and responsibility for (i) any Project financed under the Loan Agreement; (ii) the operation of such Projects and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of such Projects.

(Section 17)

Restrictions on Religious Use

The Institution agrees that with respect to any Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or portion thereof will not be used for sectarian religious instruction or as a place of religious worship or in

connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction will not prohibit the free exercise of any religion; and provided, further, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit a Project or portion thereof to be used without regard to the above stated restriction, said restriction will not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as an Authorized Officer of the Authority deems necessary to determine whether any Project or any portion thereof financed by Bonds is being used for any purpose proscribed hereby. The Institution hereby further agrees that prior to any disposition of any portion of a Project for less than fair market value, it will execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in the Project, the real property on or in which such portion of such Project is situated) will exist and (ii) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project will not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction will further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction will also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of a Project, or the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction will be without any force or effect. For the purposes of the provisions under this caption "Restrictions on Religious Use," an involuntary transfer or disposition of a Project or a portion thereof, upon foreclosure or otherwise, will be considered a sale for the fair market value thereof.

(Section 18)

Maintenance, Repair and Replacement.

The Institution agrees that, throughout the term of the Loan Agreement, it will, at its own expense, hold, operate and maintain an Applicable Project in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and will from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of an Applicable Project may be properly and advantageously conducted. The Institution will have the right to remove or replace any type of fixtures, furnishings and equipment in the Project(s) which may have been financed by the proceeds of the sale of any series of Bonds provided the Institution substitutes for any removed or replaced fixtures, furnishings and equipment, additional fixtures, furnishings and equipment having equal or greater value and utility than the fixtures, furnishings and equipment so removed or replaced. With regard to equipment, furniture and fixtures that have not been financed by the proceeds of the Bonds, the Institution may convey any such equipment, furniture and fixtures outside of the Obligated Group as permitted by the Master Indenture. As permitted in the Master Indenture, subject to compliance with all applicable Governmental Requirements, the Institution may transfer any equipment, furniture and fixtures at any time to any other Member of the Obligated Group. Notwithstanding the foregoing, in all cases such transfers may be made only if they will not adversely affect the tax-exempt status of the Bonds.

The Institution further agrees that it will pay at its own expense all extraordinary costs of maintaining, repairing and replacing an Applicable Project except insofar as funds are made available therefor from proceeds of insurance, condemnation or eminent domain awards.

(Section 20)

Damage or Condemnation

In the event of a taking of a Project or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of such Project, the Institution will use such insurance, condemnation or eminent domain proceeds as permitted by the Master Indenture provided that such use will not adversely effect the tax-exempt status on the Bonds. Proceeds paid to the Authority for the payment or prepayment of indebtedness shall be applied as provided in the Applicable Series Resolution or Applicable Bond Series Certificate.

(Section 21)

Taxes and Assessments

The Institution will pay when due at its own expense, and hold the Authority harmless from, all taxes, assessments, water and sewer charges and other impositions, if any, which may be levied or assessed upon the Institution or any of its property. The Institution will file exemption certificates as required by law.

(Section 22)

Defaults and Remedies

1. As used in the Loan Agreement the term “Event of Default” means:

(a) the Institution (i) defaults in the timely payment of any amount payable pursuant to the caption “Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments” (other than pursuant to 1(f) and (1)(l) under the caption “Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments”) or in the delivery of Securities or the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement or with the Resolution, and such default continues for a period in excess of seven (7) days or (ii) defaults in the payment of any amount payable pursuant to 1(c) and (1)(k) under the caption “Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments”;

(b) the Institution defaults in the due and punctual performance of any other covenant contained in the Loan Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied has been given by the Authority or the Applicable Trustee, provided that, if, in the determination of the Authority, such default cannot be corrected within such thirty (30) day period but can be corrected by appropriate action, it will not constitute an Event of Default if corrective action is instituted by the Institution within such period and is diligently pursued until the default is corrected;

(c) as a result of any default in payment or performance required of the Institution or any Event of Default under the Loan Agreement, whether or not declared, the Authority will be in default in the payment or performance of any of its obligations under the Resolution and an “Event of Default” (as defined in the Resolution) has been declared under the Resolution so long as such default or Event of Default remains uncured or the Applicable Trustee or Holders of the Bonds will be seeking the enforcement of any remedy under the Resolution as a result thereof;

(d) the Obligated Group will be in default under the Master Indenture or under any Obligation issued under the Master Indenture, and in either case such default continues beyond any applicable grace period;

(e) the Institution will (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (iii) make a general assignment for the benefit of its general creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (v) be adjudicated insolvent or be liquidated or (vi) take corporate action for the purpose of any of the foregoing;

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

(g) the charter of the Institution will be suspended or revoked;

(h) a petition to dissolve the Institution will be filed by the Institution with the Secretary of State of the State of New York, the legislature of the State or any other governmental authority having jurisdiction over the Institution;

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

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

(k) an order of a court having jurisdiction is made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order will remain undismissed or unstayed for the earlier of (x) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (y) an aggregate of thirty (30) days from the date such order will have been entered; or

(l) a final judgment for the payment of money which in the reasonable judgment of the Authority will materially adversely affect the rights of the Holders of the Bonds is rendered against the Institution and at any time after forty-five (45) days from the entry thereof, (i) such judgment will not have been discharged, or (ii) the Institution will not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment will have been granted or entered, and will not have caused, within forty-five (45) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal.

2. Upon the occurrence of an Event of Default, the Authority will provide written notice of such Event of Default to the Department of Health upon receiving knowledge thereof, provided, however, that failure to give such notice will in no manner impair or diminish the Authority's ability to take any action under the Loan Agreement. The Authority may take any one or more of the following actions upon the occurrence of an Event of Default:

(a) declare all sums payable by the Institution under the Loan Agreement or under the Obligations relating to the Applicable Bonds immediately due and payable;

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

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

(d) maintain an action against the Institution under the Loan Agreement or under any Obligation or against any or all members of the Obligated Group under the Master Indenture or the Obligation to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of the Master Indenture or the Applicable Obligation;

(e) permit, direct or request the Applicable Trustee to liquidate all or any portion of the assets of the Applicable Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installment, if any, or redemption price of and interest on the Bonds, or any other obligation or liability of the Institution or the Authority arising herefrom or from the Resolution;

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

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

3. All rights and remedies given or granted to the Authority in the Loan Agreement are cumulative, non-exclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy will effect a waiver of the Authority's right to exercise such remedy thereafter.

4. At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made or action taken pursuant to subdivision 2 of this caption "Defaults and Remedies" and its consequences if such Events of Default will be cured. No such annulment will extend to or affect any subsequent default or impair any right consequent thereto.

5. The Institution will give the Authority and the Department of Health telephone and written notice within one business day of receiving information that the Master Trustee has appointed or intends to appoint a receiver in accordance with the Master Indenture.

(Section 26)

Arbitrage

The Institution covenants that it will not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2007B Bonds, the Series 2007A Bonds, the Series 2006A Bonds and the Series 2000D Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Institution covenants that it will comply with the instructions and requirements of the Tax Regulatory Agreement, which is incorporated in the Loan Agreement as if set forth fully in the Loan Agreement. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) will not, pursuant to an arrangement, formal or informal, purchase Bonds (except in the case of a purchase in lieu of redemption) in an amount related to the amount of any obligation to be acquired from the Institution by the Authority. The Institution will, on a timely basis, provide the Authority with all necessary information and, to the extent of any rebate or yield adjustment payment (as referred to in the Tax Regulatory Agreement) required to be paid, funds not in the Authority's possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution.

(Section 31)

Amendments to Loan Agreement

The Loan Agreement may be amended only in accordance with the Resolution and each amendment will be made by an instrument in writing signed by an Authorized Officer of the Institution and the Authority, an executed counterpart of which will be filed with the Applicable Trustee; provided however, that no amendment or waiver of any provisions of the Loan Agreement may be made without the prior written consent of the Commissioner of Health.

(Section 37)

Appendix D

Summary of Certain Provisions of the Resolution

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Unless otherwise indicated, references to section numbers in this summary refer to sections in the Resolution. Defined terms used herein will have the meanings ascribed to them in Appendix A.

Resolution, the Series Resolutions and the Bonds Constitute Separate Contracts

It is the intent of the Resolution to authorize the issuance by the Authority, from time to time, of its Bonds in one or more Series, each such Series to be authorized by a separate Applicable Series Resolution and, inter alia, to be separately secured from each other Series of Bonds. Each such Series of Bonds will be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series will not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the Applicable Series Resolution authorizing such Series of Bonds. With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of an Applicable Series authorized to be issued under the Resolution and under the Applicable Series Resolution by those who will hold or own the same from time to time, the Resolution and the Applicable Series Resolution will be deemed to be and will constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of an Applicable Series, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority will be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction of any Bonds of a Series over any other Bonds of such Series except as expressly provided in or permitted by the Resolution or by the Applicable Series Resolution.

(Section 1.03)

Option of Authority to Assign Certain Rights and Remedies to the Trustee

As security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, Outstanding Bonds of a Series and for the performance of each other obligation of the Authority under the Resolution, the Authority may grant, pledge and assign to the Applicable Trustee all of the Authority's estate, right, title, interest and claim in, to and under the Applicable Loan Agreement, or Applicable Obligation, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under such Loan Agreement or Obligation, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Resolution) all Revenues, and other payments and other security now or hereafter payable to or receivable by the Authority under such Loan Agreement or Applicable Obligation, and the right to make all waivers and agreements in the name and on behalf of the Authority, as Trustee for the benefit of the Applicable Bondholders, and to perform all other necessary and appropriate acts under the Applicable Loan Agreement, or Applicable Obligation, subject to the following conditions: (a) that, unless and until the Authority grants, pledges or assigns such rights under the Applicable Loan Agreement or the Applicable Obligation to the Trustee, the Authority may, with the consent of the Applicable Credit Facility Issuer, if any, if required, modify, amend or release any provisions of such Applicable Loan Agreement, or the Applicable Obligation only as provided in the Resolution; (b) that the Holders of the Applicable Bonds, if any, will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; (c) that, unless and until the Applicable Trustee will, in its discretion when an "Event of Default" (as defined in the Applicable Loan Agreement) under the Applicable Loan Agreement will have occurred and will be continuing, so elect, by instrument in writing delivered to the Authority and the Applicable Institution (and then only to the extent that the Trustee will so elect), the Trustee will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in the Applicable Loan Agreement to be performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision); the Authority, however, is to remain liable to observe and perform all the conditions and covenants, in the Applicable Loan Agreement to be observed and performed by it; provided, however, that any grant, pledge and assignment by the Authority of moneys, revenues, accounts, rights or other property of the Applicable Institution made with respect to the Applicable Loan Agreement pursuant to this paragraph will secure, in the case of the Applicable Loan Agreement or any applicable portion thereof, only the payment of the amounts payable under such Applicable Loan Agreement.

In the event the Authority grants, pledges and assigns to the Trustee any of its rights as provided in the preceding paragraph, the Trustee will accept such grant, pledge and assignment which acceptance will be evidenced in writing and signed by an Authorized Officer of the Trustee.

Upon (i) the occurrence of an Event of Default under the Resolution (other than an event of default specified in paragraph (c) in the caption "Events of Default" below) and (ii) the written request of the Applicable Bond Trustee, the Authority will assign the Obligation to the Applicable Trustee.

(Section 1.04)

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, one or more series of bonds or other obligations, a portion of a Series of Outstanding Bonds or a portion of a series of bonds or other obligations, a portion of a maturity of a Series of Outstanding Bonds or a portion of a maturity of bonds or other obligations. The Authority by resolution of its members may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the resolution or resolutions authorizing the bonds or other obligations issued by the Authority, as the case may be.

The proceeds, including accrued interest, of such Refunding Bonds will be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Series Resolution authorizing such Refunding Bonds.

With respect to the Refunding Bonds issued to refund all or any portion of any bonds or other obligations issued by the Authority, the proceeds, including accrued interest, will be applied simultaneously with the delivery of such Refunding Bonds in the manner provided or as determined in accordance with the resolution or resolutions authorizing such bonds or other obligations.

(Section 2.04)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution and pursuant to an Applicable Series Resolution, or prior or equal to the rights of the Authority and Holders of an Applicable Series of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution or pursuant to an Applicable Series Resolution.

(Section 2.05)

Pledge of Revenues

The proceeds from the sale of an Applicable Series of Bonds, the Revenues and all funds authorized by the Resolution and established pursuant to an Applicable Series Resolution, other than an Applicable Arbitrage Rebate Fund, are by the Resolution, subject to the adoption of an Applicable Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Series of Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under an Applicable Series Resolution with respect to such Series, all in accordance with the provisions of the Resolution and thereof. The pledge made by the Resolution, subject to the adoption of an Applicable Series Resolution, will relate only to the Bonds of an Applicable Series authorized by such Series Resolution and no other Series of Bonds and such pledge will not secure any such other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Applicable Series of Bonds, the Revenues and all funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution which are pledged by the Resolution and pursuant to the Applicable Series Resolution will immediately be subject to the lien of such pledge without any physical

delivery thereof or further act, and the lien of such pledge will be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Applicable Series will be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Revenues and the funds established by and pursuant to the Applicable Series Resolution, which pledge will constitute a first lien thereon.

(Section 5.01)

Establishment of Funds

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established, held and maintained for each Applicable Series by the Trustee under the Applicable Series Resolution separate from any other funds established and maintained pursuant to any other Series Resolution:

Construction Fund;
Debt Service Fund;
Debt Service Reserve Fund; and
Arbitrage Rebate Fund

Accounts and sub-accounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Resolution, an Applicable Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund created by the Resolution, other than the Applicable Arbitrage Rebate Fund, will be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but will nevertheless be disbursed, allocated and applied solely in connection with an Applicable Series of Bonds for the uses and purposes provided in the Resolution.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of an Applicable Series of Bonds, the Authority will apply such proceeds as specified in the Resolution and in an Applicable Series Resolution authorizing such Series or in the Applicable Bond Series Certificate.

Accrued interest, if any, received upon the delivery of an Applicable Series of Bonds will be deposited in the appropriate account in the Applicable Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Applicable Series Resolution or the Applicable Bond Series Certificate.

(Section 5.03)

Application of Moneys in the Construction Fund

For purposes of internal accounting, an account in an Applicable Construction Fund may contain one or more subaccounts, as the Authority or the Trustee may deem necessary or desirable. As soon as practicable after the delivery of an Applicable Series of Bonds, the Trustee will deposit in the appropriate account in the Applicable Construction Fund the amount required to be deposited therein pursuant to the Applicable Series Resolution, the Applicable Loan Agreement or the Applicable Bond Series Certificate. In addition, the Authority will remit to the Trustee and the Trustee will deposit in the appropriate account in the Applicable Construction Fund any moneys paid or instruments payable to the Authority derived from insurance proceeds or condemnation awards from the Applicable Project.

Except as otherwise provided in the Resolution and in the Applicable Series Resolution or Applicable Bond Series Certificate, moneys deposited in the Applicable Construction Fund will be used only to pay the Costs of Issuance of the Bonds issued in connection with such Series Resolution or Bond Series Certificate and the Costs of the Project(s) in connection with which such Bonds were issued.

Payments for Costs of an Applicable Project will be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Such certificate or certificates will be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Institution, describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of such Project except that payments to pay interest on the Applicable Series of Bonds will be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Applicable Construction Fund to the Applicable Debt Service Fund.

Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or an Institution with respect to an Applicable Project will be deposited in the appropriate account in the Applicable Construction Fund and, if necessary, such fund may be reestablished for such purpose and if not used to repair, restore or replace such Project, transferred to the Applicable Debt Service Fund for the redemption of the Applicable Series of Bonds in accordance with the Applicable Loan Agreement.

An Applicable Project will be deemed to be complete (a) upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Applicable Institution which certificate will be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the Institution and the Trustee of a certificate of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate will state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such Institution, will specify the date of completion, or if any portion of the Project has been abandoned and will not be completed, will so state.

Upon receipt by the Trustee of the certificate required pursuant to the Resolution, the moneys, if any, then remaining in the Applicable Construction Fund, after making provision in accordance with the direction of the Authority for the payment of any Costs of Issuance of such Applicable Series of Bonds and Costs of the Applicable Project then unpaid, will be paid by the Trustee as follows and in the following order of priority:

- First: Upon the direction of the Authority, to the Applicable Arbitrage Rebate Fund, the amount set forth in such direction;
- Second: To the Applicable Debt Service Reserve Fund, such amount as will be necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and
- Third: To the Applicable Debt Service Fund for the redemption or purchase of the Applicable Series of Bonds in accordance with the Resolution and the Applicable Series Resolution, any balance remaining.

(Section 5.04)

Enforcement of Obligations, Deposit of Revenues and Allocation Thereof

(a) To the extent an Applicable Institution fails to make any timely payment under the Applicable Loan Agreement, which payment would constitute a credit for payment of the Applicable Obligation in accordance with the terms thereof, the Trustee will promptly make demand for payment under the Applicable Obligation in accordance with the terms thereof.

(b) The Revenues, including all payments received under the Applicable Loan Agreement, Master Indenture and the Obligations, will be deposited upon receipt by the Trustee to the appropriate account of the Applicable Debt Service Fund in the amounts, at the times and for the purposes specified in the Applicable Series Resolution or Applicable Loan Agreement. To the extent not required to pay the interest, principal, Sinking Fund Installments and moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt Service Fund will be paid by the Trustee on or before the business day preceding each interest payment date as follows and in the following order of priority:

- First: To reimburse, pro rata, the Applicable Facility Provider, if any, for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to the Applicable Facility Provider, if any;
- Second: Upon the direction of an Authorized Officer of the Authority, to the Applicable Arbitrage Rebate Fund in the amount set forth in such direction;
- Third: To the Applicable Debt Service Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and
- Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Applicable Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Loan Agreement in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fourth.

(c) After making the payments required by paragraph (a) of this section, the balance, if any, of the Revenues then remaining will, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Applicable Construction Fund or the Applicable Debt Service Fund, or paid to the Applicable Institution, in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Resolution. The Trustee will notify the Authority and the Institution promptly after making the payments required by the Resolution, of any balance of Revenues then remaining.

(d) In the event that any payments received by the Trustee under the Resolution are less than the total amount required to be paid to the Trustee and such payments relate to more than one Series of Bonds, the payments will be applied pro rata to each such Series of Bonds based upon the amounts then due and payable.

(Section 5.05)

Debt Service Fund

1. The Trustee will on or before the business day preceding each interest payment date pay, from the Applicable Debt Service Fund, to itself and any other Paying Agent:

- (a) the interest due on all Outstanding Bonds of the Applicable Series on such interest payment date;
- (b) the principal amount due on all Outstanding Bonds of the Applicable Series on such interest payment date;
- (c) the Sinking Fund Installments, if any, due on all Outstanding Bonds of the Applicable Series on such interest payment date; and
- (d) moneys required for the redemption of Bonds of the Applicable Series in accordance with the Resolution.
- (e) The amounts paid out pursuant to the Resolution will be irrevocably pledged to and applied to such payments.

2. In the event that on the fourth business day preceding any Interest Payment Date the amount in the Applicable Debt Service Fund will be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds of the Applicable Series, for the payment of principal of such Outstanding Bonds, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be

purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee will withdraw from the Applicable Debt Service Reserve Fund and deposit to the Applicable Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payments. The Trustee will notify the Authority, the Applicable Facility Provider, if any, Credit Facility Issuer, if any, Master Trustee, Obligated Group Representative and each member of the Obligated Group of a withdrawal from the Applicable Debt Service Reserve Fund.

3. Notwithstanding the provisions of paragraph 1 of this section, the Authority may, at any time subsequent to the first principal payment date of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Applicable Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by the Institution(s) and delivered to the Trustee in accordance with the Loan Agreement(s) will be canceled upon receipt thereof by the Trustee and evidence of such cancellation will be given to the Authority. The principal amount of each Term Bond so canceled will be credited against the Sinking Fund Installment due on such date, provided that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

4. Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Applicable Outstanding Bonds payable on or prior to the next succeeding principal payment date, the interest on Applicable Outstanding Bonds payable on the earlier of the next succeeding interest payment date, and the purchase price or Redemption Price of Applicable Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, will be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Applicable Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority will direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Applicable Debt Service Fund, such moneys may be applied by the Trustee: (i) in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds as provided in the Resolution, at the Redemption Prices specified in the Applicable Series Resolution or Bond Series Certificate or (ii) as may otherwise be directed by the Authority.

(Section 5.06)

Debt Service Reserve Fund

1. (a) The Trustee will deposit to the credit of the Applicable Debt Service Reserve Fund such proceeds of the sale of Bonds, if any, as will be prescribed in the Applicable Series Resolution or the Applicable Bond Series Certificate, and any Revenues, moneys, Government Obligations and Exempt Obligations as, by the provisions of the Loan Agreement(s), are delivered to the Trustee by the Applicable Institution(s) for the purposes of the Applicable Debt Service Reserve Fund.

(b) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds for all or any part of the Applicable Debt Service Reserve Requirement; provided (i) that any such surety bond or insurance policy will be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody's and S&P or, if Outstanding Bonds of a Series are not rated by both Moody's and S&P, by whichever of said rating services that then rates such Outstanding Bonds and (ii) that any letter of credit will be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or

uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by Moody’s and S&P or, if such Outstanding Bonds are not rated by Moody’s and S&P, by whichever of said rating services that then rates such Outstanding Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility will be deposited in full or partial satisfaction of a Debt Service Reserve Fund Requirement unless the Trustee will have received prior to such deposit (i) an opinion of counsel acceptable to an Applicable Credit Facility Issuer to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority, and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or the Institution thereunder or under any applicable provisions of the Debtor and Creditor Law of the State and (iv) the written consent of all Applicable Credit Facility Issuers, if any.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Facility Provider is reduced below the ratings required by the second preceding paragraph, the Authority will, unless at the time such ratings are reduced such Facility Provider is the Credit Facility Issuer of all Outstanding Bonds, either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the second preceding paragraph or (ii) deposit or cause to be deposited in the Applicable Debt Service Reserve Fund an amount of moneys, Government Obligations or Exempt Obligations which meet the requirements of the Resolution which is equal to the value of the Reserve Fund Facility of such Facility Provider, such deposits to be, as nearly as practicable, in ten equal semi-annual installments commencing on the earlier of the January 1 or July 1 next succeeding the reduction in said ratings.

Each such surety bond, insurance policy or letter of credit will be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For the purposes of the Resolution, in computing the amount on deposit in the Applicable Debt Service Reserve Fund, a Reserve Fund Facility will be valued at the amount available to be paid thereunder on the date of computation; provided that, if the unsecured or uncollateralized long term debt of such Facility Provider, or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of said Facility Provider has been reduced below the ratings required by the Resolution, said Reserve Fund Facility will be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of interest payment dates which has elapsed since such ratings were reduced and the denominator of which is ten.

2. Moneys held for the credit of the Applicable Debt Service Reserve Fund will be withdrawn by the Trustee and deposited to the credit of the Applicable Debt Service Fund at the times and in the amounts required to comply with the provisions of the Resolution; provided that no payment under a Applicable Reserve Fund Facility will be sought unless and until moneys are not available in the Applicable Debt Service Reserve Fund and the amount required to be withdrawn from the Applicable Debt Service Reserve Fund pursuant to this section cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee will obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder. The Trustee will provide notification as set forth in the Resolution of any withdrawal of moneys from the Debt Service Reserve Fund or payment of a Reserve Fund Facility immediately upon such withdrawal or payment.

With respect to any demand for payment under any Reserve Fund Facility, the Trustee will make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required.

3. (a) Moneys and investments held for the credit of an Applicable Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement, upon direction of an Authorized Officer of the Authority, will be withdrawn by the Trustee and (i) deposited in the Applicable Arbitrage Rebate Fund, Debt Service Fund or Construction Fund, (ii) paid to the Institution(s) or (iii) applied by the Authority to pay the principal or Redemption Price of and interest on bonds of the Authority issued in connection with the Applicable Institution pursuant to resolutions other than the Resolution, in accordance with such direction; provided, however, with respect to Bonds the interest on which is intended to be excludable from gross income for federal income tax purposes, that no such amount will be withdrawn and deposited, paid or applied unless in the opinion of Bond Counsel such deposit, payment or application will not adversely affect the exclusion of interest on any such Bonds from gross income for federal income tax purposes.

(b) Notwithstanding the provisions of the Resolution, if, upon a Bond having been deemed to have been paid in accordance with the "Defeasance" section of the Resolution or redeemed prior to maturity from the proceeds of Bonds, bonds, notes or other obligations issued for such purpose, the moneys and investments held for the credit of the Applicable Debt Service Reserve Fund will exceed the Applicable Debt Service Reserve Fund Requirement, then the Trustee will, simultaneously with such redemption or a deposit made in accordance with the "Defeasance" section of the Resolution, withdraw all or any portion of such excess from the Applicable Debt Service Reserve Fund upon the direction of an Authorized Officer of the Authority and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority or (ii) fund any reserve for the payment of the principal and sinking fund installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bond if, in the opinion of Bond Counsel, application of such moneys to the use authorized in this clause (ii) will not adversely affect the exclusion of interest on any Applicable Bonds from gross income for federal income tax purposes, or (iii) pay such amount to the Authority for deposit to the Applicable Construction Fund if, in the opinion of Bond Counsel, application of such moneys to the payment of Costs of the Project(s) will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; provided that after such withdrawal the amount remaining in the Applicable Debt Service Reserve Fund will not be less than the Applicable Debt Service Reserve Fund Requirement.

4. If upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of a Debt Service Reserve Fund are less than the Applicable Debt Service Reserve Fund Requirement, the Trustee will immediately notify the Authority and the Applicable Institution of such deficiency and such Institution will, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations, Exempt Obligations or Reserve Fund Facilities the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. If the Applicable Institution has not made timely payment, the Trustee will immediately notify the Authority, the Obligated Group Representative and the Master Trustee of such non-payment and will seek payment under the Applicable Obligation in accordance with the terms thereof.

(Section 5.07)

Arbitrage Rebate Fund

The Trustee will deposit to the appropriate account in the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Institution(s) for deposit therein and, notwithstanding any other provisions of the Resolution, will transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as will be set forth in such directions.

Moneys on deposit in the Applicable Arbitrage Rebate Fund will be applied by the Trustee in accordance with the direction of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority will determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which the Authority determines to be in

excess of the amount required to be so rebated will be deposited to any Applicable Fund in accordance with the directions of the Authority.

If and to the extent required by the Code, the Authority will periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Applicable Series of Bonds and direct the Trustee to (i) transfer from any other of the Applicable funds held by the Trustee under the Resolution and deposit to the Applicable Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Applicable Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets of an Applicable Debt Service Fund and the Debt Service Reserve Fund pursuant to the section in the Resolution entitled "Computation of Assets of Certain Funds," the amounts held in the appropriate accounts in the Applicable Debt Service Fund and the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Applicable Series and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds be redeemable, the Trustee will so notify the Authority and the Applicable Institution(s). Upon receipt of such notice, the Authority may request the Trustee to redeem all such Outstanding Bonds unless the Applicable Institution objects in writing within five (5) Business Days. The Trustee will, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds hereby and by the Applicable Series Resolution as provided in the Resolution.

(Section 5.09)

Computation of Assets of Certain Funds

The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority, (iii) upon the request of an Applicable Institution, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to the Resolution, will compute the value of the assets in the Applicable Debt Service Reserve Fund, in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority and the Applicable Institution as to the results of such computation and the amount by which the value of the assets (i) in the Applicable Debt Service Reserve Fund exceeds or is less than the Applicable Reserve Fund Requirement.

(Section 5.11)

Investment of Funds Held by the Trustee

Money held under the Resolution by the Trustee in an Applicable Debt Service Fund, Applicable Construction Fund, Applicable Debt Service Reserve Fund and Applicable Arbitrage Rebate Fund, if permitted by law, will, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, (which direction will specify the amount thereof to be so invested), in Government Obligations, deposits fully insured by the Federal Deposit Insurance Corporation or Exempt Obligations.

In lieu of the investment of moneys in obligations authorized in this Section, the Trustee will, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, invest moneys in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation; or (ii) Investment Agreements; provided that (w) each such investment will permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the

Resolution, (x) all moneys in each such interest-bearing time deposit, certificate of deposit or other similar investment arrangement will be continuously and fully secured by ownership of or a security interest in Government Obligations of a market value determined by the Trustee or its agent that is at least equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement will be deposited with and held by the Trustee or an agent of the Trustee approved by the Authority, and (z) the Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangements will be free and clear of claims of any other person.

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

In computing the amount in any fund held by the Trustee under the provisions of the Resolution, obligations purchased as an investment of moneys therein or held therein will be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in a Debt Service Reserve Fund will be valued at the market value thereof, plus accrued interest and except that Investment Agreements will be valued at original cost, plus accrued interest.

The Authority, in its discretion, may direct the Trustee to, and the Trustee will, sell, or present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee will sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it will be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Trustee will advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of this Section. The details of such investments will include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee will also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

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

(Section 6.02)

Enforcement of Duties and Obligations of the Institution

The Authority will take all legally available action to cause an Institution to perform fully all duties and acts and comply fully with the covenants of such Institution required by the Applicable Loan Agreement in the manner and at the times provided in such Loan Agreement; provided, however, that the Authority may delay, defer or waive enforcement of one or more provisions of said Loan Agreement (other than provisions requiring the payment of moneys or the delivery of Securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of an Applicable Series.

(Section 7.06)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds of an Applicable Series to be deposited in the Applicable Construction Fund, any moneys paid or letter of credit or other security payable to the Authority for the acquisition, construction, reconstruction, renovation or equipment of an Applicable Project(s) and any moneys received in respect of damage to or condemnation of such Project(s) will be deposited in the Applicable Construction Fund.

(Section 7.07)

Amendment of Loan Agreements and Master Indenture

The Authority may not amend, change, modify, alter or terminate a Loan Agreement or consent to the amendment, change, modification, alteration or termination of the Master Indenture, in either case so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by an Institution under its Applicable Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof or reduce the amount of any payment required to be made under the Obligations held by the Authority. Notwithstanding any provision under this caption "Amendment of Loan Agreements and Master Indenture" to the contrary, the Authority may consent to the waiver, amendment or removal of any covenant or provision which, pursuant to the Master Indenture, may be waived by the Authority without the consent of the Holders of the Bonds or the Trustee. A Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping, of any facilities constituting a part of the Projects or which may be added to or adjacent to the Projects or the issuance of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in a Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Notwithstanding anything in this Section to the contrary, if a Loan Agreement or the Master Indenture expressly provides for the consent of any other person or entity to an amendment to such Loan Agreement or the Master Indenture, such consent shall be required to be obtained as provided in the Loan Agreement or the Master Indenture. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of this Section, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of an Applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on an Applicable Institution, the Authority and all Holders of Bonds.

For all purposes of this Section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

(Section 7.10)

Notice as to Event of Default Under Loan Agreement

The Authority will notify the Applicable Trustee and any Applicable Credit Facility Issuer in writing that an "Event of Default" under a Loan Agreement, as such term is defined in such Loan Agreement, has occurred and is continuing, which notice will be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Tax Exemption: Rebates

Except as otherwise provided in a Series Resolution, in order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Applicable Series, the Authority will comply with the provisions of the Code applicable to the Bonds of each Applicable Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds

of each Applicable Series of Bonds, reporting of earnings on the Gross Proceeds of each Applicable Series of Bonds and rebates of Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the Authority will comply with the letter of instructions as to compliance with the Code with respect to each such Series of Bonds, to be delivered by Bond Counsel at the time the Bonds of an Applicable Series are issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority will not take any action or fail to take any action, which would cause the Bonds of an Applicable Series to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority’s failure to comply with the provisions of the Code applicable to the Bonds of an Applicable Series will not entitle the Holder of Bonds of any other Applicable Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority’s failure to comply with the provisions of the Resolution or of the Code.

(Section 7.12)

Modification and Amendment Without Consent

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

(a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds of an Applicable Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

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

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

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution or Applicable Supplemental Resolution in any other respect, provided that such modification will not adversely affect the interests of the Holders of Bonds of an Applicable Series in any material respect.

(Section 9.02)

Applicable Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the Resolution and an Applicable Series Resolution may also be modified or amended at any time or from time to time by an Applicable Supplemental Resolution, subject to the consent of the Applicable Bondholders in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority.

(Section 9.03)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority which will be deemed to affect an Applicable Series of Bonds and of the Holders of the Bonds of such Applicable Series under the Resolution, in any particular, may be made by an Applicable Supplemental Resolution, with the written consent given as hereinafter provided in the section of the Resolution entitled "Consent of Bondholders," (i) of the Holders of at least two-thirds (2/3) in principal amount of the Bonds Outstanding of an Applicable Series at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds (2/3) in principal amount of the Bonds of the Applicable Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any Applicable Series and maturity remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Resolution. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of an Applicable Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or will reduce the percentages or otherwise affect the classes of Bonds of an Applicable Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, an Applicable Series will be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of an Applicable Series or maturity would be affected by any modification or amendment of the Resolution and any such determination will be binding and conclusive on the Authority and all Holders of Bonds of an Applicable Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of an Applicable Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds of an Applicable Series under the Resolution may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of such Supplemental Resolution certified by the Authority and the consent of the Holders of all of the Bonds then Outstanding of the Applicable Series, such consent to be given as provided in the Resolution, except that no notice to such Bondholders either by mailing or publication will be required.

(Section 10.03)

Events of Default

An event of default will exist under the Resolution and under an Applicable Series Resolution (herein called "event of default") if:

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

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

(c) With respect to the Applicable Series of Bonds, the Authority will default in the due and punctual performance of the covenants contained in the “Tax Exemption: Rebates” section of the Resolution and, as a result thereof, the interest on the Bonds of such Series will no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to the Applicable Series of Bonds, the Authority will default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable Series Resolution on the part of the Authority to be performed and such default will continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied will have been given to the Authority by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series; or

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

An event of default under the Resolution in respect of an Applicable Series of Bonds will not in and of itself be or constitute an event of default in respect of any other Applicable Series of Bonds.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the above caption “Events of Default,” other than an event of default specified in paragraph (c) in the above caption “Events of Default,” then and in every such case the Trustee may, and, upon the written request of (i) the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of an Applicable Series of Outstanding Bonds, with the prior written consent of the Applicable Credit Facility Issuers, if any, or (ii) if one or more Applicable Credit Facility Issuers, if any, have deposited with the Trustee a sum sufficient to pay the principal of and interest on the Applicable Outstanding Bonds due upon the acceleration thereof, upon the request of the Credit Facility Issuer, if any, or Credit Facility Issuers, if any, making such deposit, will: (A) by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds to be due and payable immediately and (B) request that the Master Trustee declare all applicable Outstanding Obligations (as defined in the Master Indenture) to be immediately due and payable. At the expiration of thirty (30) days after the giving of notice of such declaration, such principal and interest will become and be immediately due and payable, anything in the Resolution or in any Series Resolution or in the Bonds to the contrary notwithstanding. In the event that a Credit Facility Issuer will make any payments of principal of or interest on any Bonds pursuant to a Credit Facility and the Bonds are accelerated, such Credit Facility Issuer may at any time and at its sole option, pay to the Bondholders all or such portion of amounts due under such Bonds prior to the stated maturity dates thereof. At any time after the principal of the Bonds will have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee will, with the written consent of the Credit Facility Issuers, if any, which have issued Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Bonds not then due by their terms and then Outstanding, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, with the written consent of the Applicable Credit Facility Issuers, if any, and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys will have accumulated in the Applicable Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Applicable Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys will have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the Applicable

Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this Section) will have been paid or a sum sufficient to pay the same will have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) will have been remedied to the satisfaction of the Trustee. No such annulment will extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Applicable Credit Facility Issuers, if any, which have issued Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds with the consent of the Credit Facility Issuers, if any, or, in the case of a happening and continuance of an event of default specified in paragraph (c) of the above caption "Events of Default," upon the written request of the Applicable Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby with the consent of the Applicable Credit Facility Issuer, if any, of such Series of Bonds, will proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider, if any, under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under the Applicable Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee will deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under the Applicable Series Resolution, the Trustee will be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Series Resolution or of the Applicable Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in any Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Priority of Payments After Default

If at any time the moneys held by the Trustee in the Applicable funds and accounts and under the Applicable Series Resolution will not be sufficient to pay the principal of and interest on the Bonds of the Applicable Series as the same become due and payable (either by their terms or by acceleration of maturity under the provisions of the Resolution), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, will be applied (after payment of all amounts owing to the Trustee under the Resolution) as follows:

(a) Unless the principal of all the Bonds of the Applicable Series will have become or been declared due and payable, all such moneys will be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of such maturity of the installments of such interest, and, if the amount available will not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination

or preference except as to the difference in the respective rates of interest specified in such Bonds;
or

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which will have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available will not be sufficient to pay in full all of such Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds of the Applicable Series will have become or been declared due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in said Bonds.

The provisions of this Section are in all respects subject to the other provisions of the Resolution.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys will be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose will constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the Authority, to any Holder of Bonds of any Applicable Series or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee will exercise such discretion in applying such moneys, it will fix the date (which will be on an interest payment date unless the Trustee will deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the fixing of any such date.

(Section 11.05)

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the consent of the Applicable Credit Facility Issuers, if any, or, in the case of an event of default specified in paragraph (c) of the above caption "Events of Default," the Holders of a majority in principal amount of the Outstanding Bonds of the Applicable Series with the consent of the Applicable Credit Facility Issuers, if any, will have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under the Applicable Series Resolution, provided, such direction will not be otherwise than in accordance with law or the provisions of the Resolution and of the Applicable Series Resolution, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Bondholders

No Holder nor the Credit Facility Issuer of a Credit Facility of any of the Bonds of an Applicable Series will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Applicable Series Resolution, or for any other remedy under the Resolution unless such

Holder or Credit Facility Issuer previously will have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the Consent of the Applicable Credit Facility Issuer or, in the case of an event of default specified in paragraph (c) of the above caption "Events of Default," the Holders of not less than a majority in principal amount of the Outstanding Bonds of such Series with the consent of the Applicable Credit Facility Issuer, will have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, will have accrued, and will have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also there will have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee will have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and thereunder. It is understood and intended that no one (1) or more of the Credit Facility Issuers of an Applicable Series secured by the Resolution and by an Applicable Series Resolution will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity will be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of an Applicable Series will have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right will not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

If the Authority will pay or cause to be paid to the Holders of the Bonds of an Applicable Series the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bonds Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted by the Resolution to such Series of Bonds will be discharged and satisfied, and the right, title and interest of the Applicable Trustee in the Applicable Loan Agreement(s), and the Revenues will thereupon cease with respect to such Series of Bonds. Upon such payment or provision for payment, the Applicable Trustee, on demand of the Authority, will release the lien of the Resolution and Applicable Series Resolution but only with respect to such Applicable Series, except as it covers moneys and securities provided for the payment of such Bonds, and will execute such documents to evidence such release as may be reasonably required by the Authority and the Institution(s) and will turn over to the Institution(s) or such person, body or authority as may be entitled to receive the same, upon such indemnification, if any, as the Authority or the Applicable Trustee may reasonably require, all balances remaining in any funds held under the Applicable Series Resolution after paying or making proper provision for the payment of the principal or Redemption Price (as the case may be) of, and interest on, all Bonds of the Applicable Series and payment of expenses in connection therewith; provided that if any, of such Bonds are to be redeemed prior to the maturity thereof, the Authority will have taken all action necessary to redeem such Bonds and notice of such redemption will have been duly mailed in accordance with the Resolution and the Applicable Series Resolution or irrevocable instructions to mail such notice will have been given to the Applicable Trustee.

Bonds of an Applicable Series for which moneys will have been set aside, will be held in trust by the Trustee for the payment or redemption thereof, (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in this Section. All Outstanding Bonds of an Applicable Series or any maturity within such Series or a portion of a maturity within such Series will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority will have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail, as provided in the Resolution, notice of redemption on said date of such Bonds, (b) there will have been deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities, which obligations are not subject to redemption prior to maturity other than at the option of the holder or which have been irrevocably called for redemption on a stated future date, the principal of and

interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of an Applicable Series on and prior to the redemption date or maturity date thereof, as the case may be, (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority will have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the holders of said Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority will give written notice to the Trustee of its selection of the maturity for which payment will be made in accordance with this Section. The Trustee will select which Bonds of such Series and which maturity thereof will be paid in accordance with the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, be reinvested in the Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, will, to the extent certified by the Trustee to be in excess of the amount required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Applicable Loan Agreement(s) for fees and expenses of the Authority or pursuant to any indemnity; and, then, as directed by the Authority and any such moneys so paid by the Trustee will be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by such Loan Agreement(s).

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of an Applicable Series which remain unclaimed for three (3) years after the date when such moneys become due and payable, upon such Bonds either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, will at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent will thereupon be released and discharged with respect thereto and the Holders of Bonds of such Series will look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date will be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

No principal or Sinking Fund Installment of or installment of interest on a Bond will be considered to have been paid, and the obligation of the Authority for the payment thereof will continue, notwithstanding that a Credit Facility Issuer, if any, pursuant to the Credit Facility issued with respect to such Bond has paid the principal or Sinking Fund Installment thereof or the installment of interest thereon.

Prior to any defeasance becoming effective under the Resolution, each Applicable Credit Facility Issuer will have received (a) the final official statement delivered in connection with the refunding of Bonds, if any, (b) a copy of the accountants' verification report, (c) a copy of the escrow deposit agreement or letter of instructions in form and substance acceptable to such Credit Facility Issuer, and (d) a copy of an opinion of Bond Counsel, dated the date of defeasance and addressed to such Credit Facility Issuer, to the effect that such Bonds have been paid within the meaning and with the effect expressed in the Resolution and the Series Resolution, and that the covenants, agreements and other obligations of the Authority to the Holders of such Bonds have been discharged and satisfied.

(Section 12.01)

Appendix E

**Summary of Certain Provisions of the
Master Indenture**

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CERTAIN PROVISIONS OF THE MASTER INDENTURE

The following are definitions of certain words and terms used in the Master Indenture and used in this Official Statement, and excerpts of certain provisions of the Master Indenture. The following should not be regarded as a full statement of the Master Indenture. Reference is made to the Master Indenture in its entirety for a full and complete statement of the provisions thereof, a copy of which is on file with the Trustee.

DEFINITIONS USED IN THE MASTER INDENTURE

“Additional Indebtedness” means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of the initial Obligations under this Master Indenture or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group.

“Affiliate” means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by a Member or the Obligated Group Representative or their respective successors or assigns or by any Person which directly or indirectly controls a Member or the Obligated Group Representative. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

“Affiliated School” shall mean the New York University School of Medicine.

“Audited Financial Statements” means, as to a Member of the Obligated Group, financial statements for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants. Audited Financial Statements of the Obligated Group shall also consist of, in an additional information section, unaudited combining financial statements for the same twelve-month period from which the accounts of any Affiliate which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not already included have been added.

“Authority” means the Dormitory Authority of the State of New York and any successor thereto.

“Authorized Representative” shall mean, with respect to the Obligated Group Representative, the Chairperson of its Governing Body or its chief executive officer, senior vice president for finance or its chief financial officer, and, with respect to each Member of the Obligated Group, the Chairperson of its Governing Body or its president's chief executive officer, senior vice president for finance, chief financial officer or any other person or persons designated an Authorized Representative of such Member by an Officer's Certificate of the Obligated Group Representative or such Member of the Obligated Group, respectively, signed by the Chairperson of its Governing Body or its presidents or its chief executive officer or chief financial officer and filed with the Master Trustee.

“Balloon Long-Term Indebtedness” means Long-Term Indebtedness other than a Demand Obligation 25% or more of the principal amount of which is due in a single year, which portion of the

principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

“Book Value” when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

“Capital Addition” means any addition, improvement or extraordinary repair to or replacement of any Property of a Member of the Obligated Group, whether real, personal or mixed, the cost of which is properly capitalized under generally accepted accounting principles.

“Code” means the Internal Revenue Code of 1986, as amended.

“Consultant” means a firm or firms, selected by the Obligated Group Representative, which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant or other financial institution of national repute for having the skill and experience necessary to render the particular report required by the provision hereof in which such requirement appears and which is not unacceptable to the Master Trustee.

“Credit Facility” means a financial guaranty insurance policy, line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility established in connection with the issuance of Indebtedness to provide credit or liquidity support for such Indebtedness.

“Credit Facility Issuer” means the firm, association, corporation or other Person, if any, which has issued a Credit Facility that provides credit or liquidity support with respect to Indebtedness or Related Bonds.

“Cross-over Date” means, with respect to Cross-over Refunding Indebtedness, the last date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

“Cross-over Refunded Indebtedness” means Indebtedness refunded by Cross-over Refunding Indebtedness.

“Cross-over Refunding Indebtedness” means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such refunding Indebtedness or refunded Indebtedness until the Cross-over Date.

“Defeasance Securities” has the meaning ascribed to such term in the applicable Related Bond Indenture.

“Defeased Obligations” means Obligations issued under a Supplement that has been discharged, or provision for the discharge of which has been made, pursuant to the terms of such Supplement.

“Demand Obligation” means any Indebtedness the payment of all or a portion of which is subject to the demand of the holder thereof.

“Derivative Agreement” means, without limitation,

- (a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract;
- (b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices;
- (c) any contract to exchange cash flows or payments or series of payments;
- (d) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and
- (e) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, or minimize investment risk or to protect against any type of financial risk or uncertainty.

“Derivative Period” means the period during which a Derivative Agreement is in effect.

“Escrowed Interest” means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Securities have been deposited in escrow (the “Escrowed Interest Deposit”) which Escrowed Interest Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Interest.

“Escrowed Principal” means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Securities have been deposited in escrow (the “Escrowed Principal Deposit”) which Escrowed Principal Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Principal.

“Event of Default” means any one or more of those events set forth in Section 4.01 of this Master Indenture.

“Excluded Property” means any real Property that is not Health Care Facilities of the Obligated Group.

“Fiscal Year” means the fiscal year of NYUHC, which shall be the period commencing on January 1 of any year and ending on December 31 of such year unless the Master Trustee is notified in writing by NYUHC of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice; provided, however that for purposes of making historical calculation determinations set forth in the Master Indenture on a Fiscal Year basis, or for purposes of combinations or consolidation of accounting information, with respect to those Members whose actual fiscal year is different from

December 31, the actual fiscal year of such Members which ended within the Fiscal Year of NYUHC shall be used.

“Fitch” means Fitch Inc., its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

“Governing Body” means, when used with respect to any Member of the Obligated Group and the Obligated Group Representative, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group or the Obligated Group Representative are exercised.

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

“Governmental Restrictions” means federal, state or other applicable governmental laws or regulations, affecting any Member of the Obligated Group and its health care facilities including but not limited to (a) Articles 28 and 28-B of the Public Health Law, and (b) those placing restrictions and limitations on the (i) fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such fees or charges.

“Gross Receipts” shall mean all receipts, revenues, income and other moneys received or receivable by or on behalf of an Obligated Group Member, including without limitation contributions, donations, and pledges whether in the form of cash, securities or other personal property, and the rights to receive the same whether in the form of accounts, payment intangibles, contract rights, general intangibles, health-care-insurance receivables, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof, as such terms are presently or hereinafter defined in the New York Uniform Commercial Code and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, however, Gross Receipts shall not include (i) gifts, grants, bequests, donations, and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to (A) paying debt service on an Obligation or (B) meeting any commitment of a Member under a Loan Agreement; (ii) all receipts, revenues, income and other moneys received or receivable by or on behalf of a Member of the Obligated Group, and all rights to receive the same whether in the form of accounts, payment intangibles, contract rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof as such terms are presently or hereinafter defined in the New York Uniform Commercial Code, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from Excluded Property; and (iii)

insurance proceeds relating to assets subject to a capital lease permitted under the Master Indenture or subject to an operating lease as to which any Member of the Obligated Group is the lessee.

“Gross Receipts Revenue Fund” means the fund established pursuant to Section 4.03 hereof.

“Guaranty” means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness hereunder. For the purposes of this Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group shall have executed and delivered its Guaranty shall, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, be deemed to be equal to 20% of the amount which would be payable as principal of and interest on the indebtedness for which a Guaranty shall have been issued during the Fiscal Year for which any computation is being made (calculated in the same manner as the Long-Term Debt Service Coverage Ratio), provided that if there shall have occurred a payment by a Member of the Obligated Group on such Guaranty, then, during the period commencing on the date of such payment and ending on the day which is one year after such other Person resumes making all payments on such guaranteed obligation, 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account. Any Guaranty that is an obligation of more than one Member of the Obligated Group shall be counted only once for purposes of any test herein.

“Health Care Facilities” means the Property now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance and treatment of patients or to otherwise provide health care and health-related services. Any facility whose primary function or functions is other than providing health care services and which has incidental health care services provided on its premises, shall not be deemed to be Health Care Facilities.

“Holder” means an owner of any Obligation issued in other than bearer form.

“Income Available for Debt Service” means, with respect to the Obligated Group, as to any period of 12 consecutive calendar months, its excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness minus any transfers to the Affiliated School, as determined in accordance with generally accepted accounting principles consistently applied; provided, however, that (1) no determination thereof shall take into account (a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (b) unrealized gains and losses on investments of a Member of the Obligated Group or (c) losses resulting from any reappraisal, revaluation or write-down of assets for such period, and (2) revenues shall not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest to the extent that such earnings are applied to the payment of principal or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement or Related Bonds secured by such Long-Term Indebtedness.

“Indebtedness” means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group or obligations to the Affiliated School which are conditional upon the availability of funds.

“Insurance Consultant” means a firm or Person which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations and which is selected by the Obligated Group Representative and is not unacceptable to the Master Trustee; provided that, except with respect to the review of self-insurance programs or any captive insurance company, the term “Insurance Consultant” shall include qualified in house risk management officers employed by any Member of the Obligated Group or an Affiliate.

“Lien” means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

“Long-Term Debt Service Coverage Ratio” means for any period of time the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service.

“Long-Term Debt Service Requirement” means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated at least “A” by Moody’s, Fitch or S&P, or insured by an insurance policy issued by any insurance company rated at least “A” by Alfred M. Best Company or its successors in Best’s Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan or reimbursement agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan or reimbursement agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above;

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility shall not be included in the Long-Term Debt Service Requirement;

(iv) with respect to any guaranties, in accordance with the Definition of “Guaranty” in Section 1.01 hereof;

(v) with respect to Indebtedness for which a Member of the Obligated Group shall have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness (as evidenced by a certificate filed with the Master Trustee so specifying that the Derivative Agreement relates to all or a portion of such Indebtedness, which certification may be provided at the time of or after the issuance of such Indebtedness), the principal or notional amount of such Derivative Agreement shall be disregarded, and interest on such Indebtedness during any Derivative Period and for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such underlying Indebtedness pursuant to its terms (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued), and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement), and subtracting (z) the amount of interest payable to the Member of the Obligated Group by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement); *provided, however*, that to the extent that the counterparty of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed;

(vi) with respect to a Derivative Agreement that has not been certified as relating to underlying Indebtedness which has been entered into by any Member of the Obligated Group and which is secured by an Obligation, the principal or notional amount of such Derivative Agreement shall be disregarded (for so long as the Member of the Obligated Group is not required to make any payment other than interest payments thereon) and interest on such Derivative Agreement during any Derivative Period, for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder, shall be calculated by taking (y) the amount of interest payable by such Member of the Obligated Group at the rate specified in the Derivative Agreement and subtracting (z) the amount of interest payable by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement; and

(vii) notwithstanding anything herein to the contrary, any so-called mark to market charge or credit attributable to any Derivative Agreement under Statement of Financial Accounting Standards No. 133 or otherwise shall be excluded from calculation of the revenues and expenses, in each case, of each Member of the Obligated Group and all related definitions and financial covenants herein for all purposes of this Indenture. Furthermore, notwithstanding anything else herein to the contrary, any portion of any Indebtedness of any Member for which a Derivative Agreement has been obtained by such Member shall be deemed to bear interest for the period of time that such Derivative Agreement is in effect at a net rate which takes into account

the interest payments made by such Member on such Indebtedness and the payments made or received by such Member on such Derivative Agreement; provided that the long-term credit rating of the provider of such Derivative Agreement (or any guarantor thereof) is in one of the three highest rating categories of any rating agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise). In addition, so long as any Indebtedness is deemed to bear interest at such net rate taking into account an Derivative Agreement, any payments made by a Member on such Derivative Agreement shall be excluded from expenses and any payments received by a Member on such Derivative Agreement shall be excluded from revenues, in each case, for all purposes of this Indenture.

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement; provided, further, however, that in connection with the calculation of “Long-Term Debt Service Requirement”, in no event shall any payments to be made in respect of principal and/or interest on any Outstanding Long-Term Indebtedness of the Obligated Group during such period be counted more than once.

“Long-Term Indebtedness” means all Indebtedness (other than Indebtedness for which the timely payment of the principal of and interest on which has been provided for from the deposit of Defeasance Securities) having a maturity longer than one year incurred or assumed by any Member of the Obligated Group, including without duplication:

- (i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;
- (ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;
- (iii) installment sale or conditional sale contracts having an original term in excess of one year;
- (iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and
- (v) the current portion of Long-Term Indebtedness.

“Master Indenture” means this Master Trust Indenture, dated as of June 28, 2006, including any amendments or supplements hereto.

“Master Trustee” means The Bank of New York, New York and its successors in the trusts created under this Master Indenture.

“Maximum Annual Debt Service” means the highest Long-Term Debt Service Requirement for the current or any succeeding Fiscal Year.

“Member of the Obligated Group” or “Member” means NYUHC and any other Person becoming a Member of the Obligated Group pursuant to Section 3.11 hereof.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

“Mortgage” means (i) the mortgage heretofore granted by NYUHC to the Authority and assigned to the Master Trustee to secure the obligations of NYUHC to the Master Trustee with respect to the initial Obligations and all such other Obligations as may be issued from time to time in accordance with the provisions of this Master Indenture, and (ii) any other mortgage encumbering additional property added as collateral for Obligations granted by any Member of the Obligated Group to secure all Obligations issued pursuant to this Master Indenture.

“Mortgaged Property” means any and all Property, whether real, personal or mixed, and all rights and interests in and to the Property, which is subject to the liens and security interests created under a Mortgage.

“Non-Recourse Indebtedness” means any Indebtedness incurred to finance the purchase of Property secured exclusively by a Lien on such Property or the revenues or net revenues produced by such Property or both, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

“Obligated Group” means, collectively, the Members of the Obligated Group.

“Obligated Group Representative” shall mean NYUHC or its successor.

“Obligation” means the evidence of particular Indebtedness issued under this Master Indenture as a joint and several obligation of each Member of the Obligated Group. “Obligation” may also include the evidence of a particular obligation of each Member of the Obligated Group under a Derivative Agreement.

“Officer’s Certificate” means a certificate signed by the Authorized Representative of such Member of the Obligated Group or the Obligated Group Representative as the context requires. Each Officer’s Certificate presented pursuant to this Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, this Master Indenture. Each Officer’s Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer’s Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

“Operating Assets” means any or all land, leasehold interests, buildings, machinery, equipment, hardware, inventory and other tangible and intangible Property owned or operated by a Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

“Opinion of Bond Counsel” means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Master Trustee and each Related Bond Issuer.

“Opinion of Counsel” means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for the Obligated Group Representative or any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

“Other Swap Payments” shall have the meaning given in 0 hereof.

“Outstanding” means, as of any date of determination, (i) when used with reference to Obligations, all Obligations theretofore issued or incurred and not paid and discharged, other than (A) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (B) Defeased Obligations and (C) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser, and (ii) when used with reference to Indebtedness other than Indebtedness evidenced by an Obligation, all Indebtedness theretofore issued or incurred and not paid and discharged, other than Indebtedness deemed paid and no longer outstanding under the documents pursuant to which such Indebtedness was incurred; *provided, however*, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under this Master Indenture, Obligations or Related Bonds that are owned by the Obligated Group Representative or any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member or the Obligated Group Representative shall be deemed not to be Outstanding, *provided further, however*, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent, or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding.

“Permitted Liens” shall have the meaning given in 0 hereof.

“Permitted Sale Leaseback” shall have the meaning given in Section 3.14 hereof.

“Person” means an individual, association, unincorporated organization, limited liability company, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

“Projected Period” means (i) in the case of Indebtedness incurred to finance a Capital Addition or any repair to Operating Assets, each of the two full Fiscal Years following the date such Capital Addition or repair is estimated to be installed or completed and (ii) in the case of Indebtedness incurred for any other purpose, each of the two full Fiscal Years following the date such Indebtedness is proposed to be incurred.

“Property” means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

“Property, Plant and Equipment” means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

“Regularly Scheduled Swap Payments” shall have the meaning given in 0 hereof.

“Related Bond Indenture” means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

“Related Bond Issuer” means the issuer of any issue of Related Bonds.

“Related Bonds” means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof (i.e. a “Related Bond Issuer”) (“governmental issuer”), pursuant to a Related Bond Indenture, the proceeds of which are loaned or otherwise made available to the Obligated Group Representative or a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer.

“Related Bond Trustee” means the trustee and its successors in the trusts created under any Related Bond Indenture.

“Related Credit Facility Issuer” means the Credit Facility Issuer with respect to any issue of Related Bonds.

“Related Loan Agreement” means any loan agreement, lease agreement or any similar instrument relating to the loan of proceeds of Related Bonds to a Member of the Obligated Group.

“S/L Certificate” shall have the meaning given in Section 3.14 hereof.

“S/L Counterparty” shall have the meaning given in Section 3.14 hereof.

“S/L Master Trustee Documents” shall have the meaning given in Section 3.14 hereof.

“S/L Parcel” shall have the meaning given in Section 3.14 hereof.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

“Short-Term Indebtedness” means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group, excluding trade debt incurred in the ordinary course of business but including:

- (i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;
- (ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and
- (iii) installment purchase or conditional sale contracts having an original term of one year or less.

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

“Supplement” means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Master Indenture.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code, and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Total Operating Revenues” means, with respect to the Obligated Group, as to any period of time, total operating revenues less all deductions from revenues, as determined in accordance with generally accepted accounting principles consistently applied.

“Transfer” means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

“Variable Rate Indebtedness” means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

INDEBTEDNESS, ISSUANCE AND TERMS OF OBLIGATIONS

Section 2.01 Amount of Indebtedness. Subject to the terms, limitations and conditions established in this Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations hereunder or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created hereunder are not limited, except as limited by the provisions hereof, including Section 3.06, or of any Supplement. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation issued hereunder.

Section 2.07 Issuance of Obligations in Forms Other than Notes. Obligations may be issued hereunder in a form other than a promissory note to evidence any type of Indebtedness or Derivative Agreement that itself is in a form other than a promissory note including without limitation, deeming such Indebtedness or Derivative Agreement or certain payments due thereunder to be an Obligation. Consequently, the Related Supplement pursuant to which any Obligation is issued may provide for such supplements or amendments to the provisions hereof as are necessary or appropriate to permit the issuance of such Obligation hereunder and as are not inconsistent with the intent hereof that all Obligations issued hereunder be equally and ratably secured by the lien on the trust estate created hereunder except to the extent that an Obligation provides for subordination of some or all of the payment obligations thereunder and/or subordination of security therefor. Any Derivative Agreement (or any particular payments thereunder) which is or are authenticated as an Obligation under this Master Indenture shall be equally and ratably secured by any lien created under this Master Indenture with all other Obligations except as otherwise provided in this Master Indenture; provided, however, that any such Obligation shall be deemed outstanding under this Master Indenture solely for the purpose of receiving payment under this Master Indenture and shall not be entitled to exercise any rights under this Master Indenture, including without limitation the right to vote or control remedies, and any Obligation issued to secure any Derivative Agreement shall not be deemed to be Outstanding for any purpose under Article VI, other than the right to receive payment of amounts due thereunder equally and ratably with all other Obligations.

PARTICULAR COVENANTS OF THE OBLIGATED GROUP

3.01 Security; Restrictions on Encumbering Property; Payment of Principal and Interest. (a) Any Obligation issued pursuant to this Master Indenture shall be a general obligation of each Member of the Obligated Group. To secure, among other things, the prompt payment of the principal of, redemption premium, if any, and the interest on all Obligations issued from time to time under the Master Indenture, and the performance by the Member of the Obligated Group of its other obligations hereunder and under the Master Indenture, the Mortgage heretofore granted to the Authority by the Member of the Obligated Group has been assigned to the Master Trustee. In addition, each Member of the Obligated Group shall grant to the Master Trustee a Mortgage on all Health Care Facilities owned by such Member that are either: (i) financed or refinanced with the proceeds of Indebtedness secured by an Obligation issued under the Master Indenture; or (ii) owned by a new Member of the Obligated Group at the time of such admission, subject to any liens or security interests permitted to remain outstanding under Section 3.11(e) of the Master Indenture, and each Member of the Obligated Group hereby pledges, assigns and grants to the Master Trustee a security interest in its Gross Receipts. Upon receipt, all such security shall be held in trust for the holders from time to time of all Obligations issued and Outstanding hereunder, without preference or priority of any one Obligation over any other Obligation.

If any Event of Default under subsections (a), (d), (e) or (f) of Section 4.01 hereof shall have occurred, any Gross Receipts then on deposit in any fund or account of a Member of the Obligated Group (unless such account has been pledged as security as permitted in this Master Indenture), and any Gross Receipts thereafter received, shall immediately, upon receipt, be transferred into the Gross Receipts Revenue Fund established pursuant to Section 4.03 hereof. Upon receipt, all such Gross Receipts shall be held by the Master Trustee in trust for the Holders from time to time of all Obligations issued and Outstanding hereunder, without preference or priority of any one Obligation over any other Obligation. Prior to its receipt of a request from the Master Trustee pursuant to Section 4.03(c) of this Master Indenture, any Member of the Obligated Group may transfer, or pledge as security, all or any part of its Gross Receipts free of such security interest, as permitted pursuant to the provisions of this Master Indenture. In the event of such transfer or pledge, upon the request of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so transferred.

In addition to the preceding paragraph, upon an Event of Default under subsections (a), (d), (e) or (f) of Section 4.01 hereof, the Members of the Obligated Group hereby agree to take no action inconsistent with the pledge, assignment and deposit of Gross Receipts contemplated hereby, and to cooperate in all respects to assure the deposit of such Gross Receipts in the Gross Receipts Revenue Fund.

With respect to all Obligations issued, executed and delivered under this Master Indenture, there shall be delivered to the Master Trustee financing statements evidencing the security interests of the Master Trustee in the Gross Receipts of the Members of the Obligated Group in the form required by the New York Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State of the State of New York.

Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to this Master Indenture as may be necessary or appropriate to include as security hereunder the Gross Receipts. In addition, each Member of the Obligated Group covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to Section 3.11 of this Master Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to Section 3.12 of this Master Indenture. In particular, each Member of the Obligated

Group covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to continue the security interest created hereunder pursuant to applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any such financing statement, the Master Trustee shall prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interest in Gross Receipts shall remain perfected.

(b) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in (except for Permitted Liens as set forth in Section 3.05 hereof) any of its Property.

(c) Each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to this Master Indenture at the place, on the dates and in the manner provided in this Master Indenture and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(d) Each Member of the Obligated Group covenants that, if an Event of Default shall have occurred and be continuing, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured, such Gross Receipts to be applied in accordance with Sections 4.03 and 4.04 of this Master Indenture.

Section 3.02 Covenants as to Corporate Existence, Maintenance of Properties, Etc. Each Member of the Obligated Group hereby covenants:

(a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence and all its material rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) At all times to cause its Property in all material respects to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof (including, but not limited to, the Public Health Law of the State of New York for as long as there are Related Bonds of the Authority or its predecessors outstanding) and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties;

provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding hereunder) whose validity, amount or collectibility is being contested in good faith.

(f) At all times to comply in all material respects with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its health care facilities (if any, and other than those of a type for which accreditation is not available) by the Joint Commission on Accreditation of Healthcare Organizations or other applicable recognized accrediting body; provided, however, that it need not comply with this Section 3.02(g) if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) So long as this Master Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it shall not take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any Related Bonds becoming included in the gross income of the holder thereof for federal income tax purposes.

Section 3.03 Insurance. Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate) covering such risks in such amounts and with such deductibles and co-insurance provisions as, in the judgment of its Governing Body, are adequate to protect it and its Property and operations.

The Obligated Group Representative shall engage an Insurance Consultant to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially). If the Insurance Consultant makes recommendations for the increase of any coverage, the applicable Member of the Obligated Group shall increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of such Member that such recommendations, in whole or in part, are in the best interests of the Obligated Group. If the Insurance Consultant makes recommendations for the decrease or elimination of any coverage, the Member of the Obligated Group may decrease or eliminate such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in this Section to the contrary, each Member of the

Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group Representative furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually.

Section 3.04 Insurance and Condemnation Proceeds. (a) Unless otherwise provided in the Mortgages, amounts that do not exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

(b) Unless otherwise provided in the Mortgages, amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities shall be applied to repair or replace the Property (either Property serving the same function or other Property that, in the judgment of the Governing Body, is of equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of any pertinent Supplement; *provided, however*, such amounts may be used in such manner as the recipient may determine, if the recipient notifies the Master Trustee and within 12 months after the casualty loss or taking, delivers to the Master Trustee:

(i) (A) An Officer's Certificate of the Obligated Group Representative certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in paragraph (i) of this Section 3.04(b) to be not less than 1.20, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level; and an Officer's Certificate of the Obligated Group Representative certifying that the recipient will use such proceeds in accordance with the recommendations contained in the Consultant's report.

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law and any Mortgage, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii), of this Section.

Section 3.05 Limitations on Creation of Liens. (a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 180 days; and (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof.

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under this Master Indenture, which is set forth on Schedule A

attached hereto, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(vi) Any Liens of a new Member or a successor to an existing Member that is permitted to remain outstanding after such new Member or successor becomes a Member of the Obligated Group pursuant to Sections 3.09(e) or 3.11(e) hereof;

(vii) Any Lien securing Non-Recourse Indebtedness permitted by Section 3.06(d) hereof;

(viii) Any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of Section 3.06 hereof, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations hereof on creation of Liens on Property of the Obligated Group;

(ix) So long as no Event of Default exists under this Master Indenture, any Lien on accounts receivable and the proceeds from the sale thereof securing Indebtedness or Derivative Agreements, which conforms to the limitations contained in Section 3.06;

(x) Any Lien on Property (including moveable equipment) that secures Indebtedness or Derivative Agreements that conforms to the limitations contained in Section 3.06, and that does not exceed in aggregate 20% of Total Operating Revenue as reflected in the most recent Audited Financial Statements;

(xi) Any Lien on Equipment used at a Health Care Facility provided the Indebtedness secured by such Lien was incurred in accordance with Section 3.06 hereof;

(xii) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings; banker's liens or rights of setoff; or liens securing standby letters of credit or other liquidity or credit enhancement that provides liquidity or credit enhancement for Indebtedness otherwise permitted hereunder;

(xiii) Any Liens on the proceeds of insurance insuring assets that are subject to a lease from a third party owner or lessor of such assets;

(xiv) Any Lien in favor of a trustee or other agent on the proceeds of Indebtedness and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding or defeasing Indebtedness;

(xv) Any Lien securing all Obligations on a parity basis, including the Lien created by this Master Indenture on Gross Receipts securing all Obligations and by a Mortgage;

(xvi) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xvii) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xviii) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group; and

(xix) Any Lien on Excluded Property.

Section 3.06 Limitations on Indebtedness. Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if such Indebtedness could not be incurred pursuant to any one of subsections (a) to (g) inclusive, of this Section 3.06.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Obligated Group Representative certifying that:

(A) The cumulative principal amount of all then outstanding Long-Term Indebtedness incurred pursuant to this subsection 3.06(a)(i)(A), together with the Indebtedness then to be issued does not exceed 20% of Total Operating Revenues as reflected in the most recently Audited Financial Statements, or

(B) The Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available, taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.25; or

(ii) (1) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in subsection (a)(i)(B) of this Section 3.06, excluding the proposed Long-Term Indebtedness, is at least 1.25 and (2) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.35 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance Capital Additions, the full Fiscal Year succeeding the date on which such Capital Additions are forecasted to be in operation or (y) in the case of Long-Term Indebtedness not financing Capital Additions or in the case of a Guaranty, the full Fiscal Year succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; provided, however, that compliance with the tests set forth in this Section 3.06(a)(ii) may be evidenced by a certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in this Section 3.06(a)(ii)(2) is equal to or greater than 1.50; provided, however, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness may be incurred if, prior to the incurrence of such Long-Term Indebtedness, (i) the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness there is delivered to the Master Trustee (A) an Officer's Certificate of the Obligated Group Representative demonstrating that Maximum Annual Debt Service will not increase by more than 10% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Counsel stating that upon the incurrence of such Proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii) the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Obligated Group Representative stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Related Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 10%.

(c) Short-Term Indebtedness may be incurred subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed 20% of Total Operating Revenues as reflected in the Audited Financial Statements of the Obligated Group for the most recent period of twelve consecutive months for which Audited Financial Statements are available; provided, however, that there shall be a period of at least 30 consecutive calendar days during each such period of twelve consecutive calendar months for which Audited Financial Statements are available during which Short-Term Indebtedness shall not exceed 5% of Total Operating Revenues. For purposes of this Section 3.06(c), a Guaranty of Short-Term Indebtedness shall be valued at 20% of the aggregate principal amount of the Short-Term Indebtedness guaranteed so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles; provided that in the event such Guaranty shall be drawn upon, such Guaranty shall be valued at 100% of the aggregate principal amount of the Short-Term Indebtedness guaranteed. For the purpose of calculating compliance with the tests set forth in this subsection 3.06(c), Short-Term Indebtedness secured by accounts receivable shall not be taken into account except to the extent provided in subsection 3.06(f) hereof.

(d) Non-Recourse Indebtedness may be incurred without limit.

(e) Subordinated Debt may be incurred without limit.

(f) Short-Term Indebtedness secured by accounts receivable may be incurred within the limitations imposed on the pledge or sale of accounts receivable, as provided in the last paragraph of this Section 3.06; provided that at the time of incurrence, the outstanding principal amount of such Short-Term Indebtedness is less than or equal to the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness. At any time that the outstanding principal amount of such Short-Term Indebtedness is greater than the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness, the excess amount shall be treated as Short-Term Indebtedness for the purposes of the tests set forth in subsection 3.06(c) hereof.

(g) Indebtedness may be incurred in an amount limited to the cost of completion for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there shall be delivered to the Master Trustee (i) a certificate of the Obligated Group Representative to the effect that the Obligated Group Representative did reasonably expect at the time the initial Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the

Capital Addition, (ii) a licensed architect's or licensed engineer's certificate to the effect that the proceeds of such additional Indebtedness will be sufficient to complete the Capital Addition and (iii) the amount of such Indebtedness is limited to the costs identified in (i) above plus necessary reserves and costs related to issuance of such Indebtedness.

Indebtedness incurred pursuant to any one of subsections (a)(i) or (a)(ii) of this Section 3.06 may be reclassified as Indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a "put" or "tender" provision pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity shall not be considered Balloon Long-Term Indebtedness, solely by reason of such "put" or "tender" provision, and the put or tender provision shall not be taken into account in testing compliance with any debt incurrence test pursuant to this Section 3.06.

Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance herewith in an aggregate amount not exceeding 50% of the three month average outstanding accounts receivable of the Obligated Group that are one hundred and twenty days old or less as calculated in accordance with generally accepted accounting principles. If the Long-Term Debt Service Coverage Ratio is 2.00 or greater, the percentage of accounts receivable identified in the preceding sentence may be increased to 75%. The three month average shall be calculated based on the month end available balances for the three full calendar months immediately preceding the date on which such accounts receivable are sold, pledged, assigned or otherwise disposed or encumbered.

Section 3.07 Long-Term Debt Service Coverage Ratio. (a) The Members of the Obligated Group covenant to set rates and charges for their facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10 for such prior Fiscal Year; *provided, however*, that in any case where Long-Term Indebtedness has been incurred to acquire or construct a Capital Addition, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such Capital Addition unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by subsection (a) hereof, as derived from the most recent Audited Financial Statements for the most recent Fiscal Year, is not met, the Obligated Group covenants to retain a Consultant within thirty (30) days of the delivery of the aforementioned Audited Financial Statements to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Any Consultant so retained shall be required to submit such recommendations within forty-five (45) days after being so retained. Each Member of the Obligated Group agrees that it will, to the extent permitted by Governmental Restrictions, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each Member of the Obligated Group shall follow such Consultant's recommendations to the extent permitted by such Governmental Restrictions, this Section shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level; *provided, however*, that the Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this subsection (b) more frequently than biennially.

Section 3.08 Sale, Lease or Other Disposition of Property; Disposition of Cash and Investments; Unsecured Loans to Non-Members; Sale of Accounts. (a) Each Member of the Obligated Group agrees that it will not Transfer Property, other than in the ordinary course of business, in any Fiscal Year (or other 12-month period for which Audited Financial Statements are available) except for Transfers of Property:

(i) To any Person provided such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property.

(ii) To another Member of the Obligated Group without limit.

(iii) To any Person provided there shall be delivered to the Master Trustee prior to such Transfer an Officer's Certificate certifying that the Obligated Group is in compliance with Section 3.07 hereof and the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Audited Financial Statements have been reported upon by independent certified public accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.25 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place.

(iv) To any Person if the aggregate Book Value of the Property Transferred pursuant to this subsection (iv) in the current Fiscal Year does not exceed 5% of the Book Value of all Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year; provided, however, that transfers to the Affiliated School shall be excluded for the purposes of calculating the amount as transferred.

(v) To any Person if the Property Transferred pursuant to this subsection (v) was transferred at fair market value; *provided further, however*, that with respect to transfers of real property, fair market value shall be based on a written appraisal prepared by an appraiser with experience in valuing similar assets.

(vi) To a Person which at the time of the Transfer is not a Member of the Obligated Group or successor corporation pursuant a merger or consolidation permitted by the Master Indenture, without limit, if such Person or successor corporation shall, at the time of such Transfer, become a Member of the Obligated Group pursuant to the Master Indenture.

(vii) To any S/L Counterparty in connection with a Permitted Sale Leaseback as set forth in Section 3.14 hereof.

(viii) To any Partial Release Sale Counterparty in connection with a Permitted Partial Release Sale as set forth in Section 3.14 hereof.

(b) Any Member of the Obligated Group will have the right to sell, pledge, assign or otherwise dispose of its accounts receivable, with or without recourse, if such Member of the Obligated Group shall receive as consideration for such sale, pledge, assignment or other disposition cash, services or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group and if such sale, pledge, assignment or other disposition meets the limitations contained in the last paragraph of Section 3.06

hereof regarding the aggregate limit on the pledge, sale or other disposition or encumbrance of accounts receivable.

(c) Nothing contained in this Section 3.08 is intended to prohibit the Transfer of Property, including cash, for payment of goods and services in the ordinary course of business of, or for the acquisition of Property by, the Members of the Obligated Group.

(d) No Member of the Obligated Group shall make any Transfer pursuant to this Section 3.08 of Property financed with the proceeds of Related Bonds that are exempt from federal income taxation without first delivering to the Master Trustee an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the proposed Transfer would not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Related Bond would otherwise be entitled.

Section 3.09 Consolidation; Merger; Sale or Conveyance. (a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under this Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Master Indenture and any Supplement hereto; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of this Master Indenture; and

(iii) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating that (A) if such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available, the Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.10, (B) if such merger, consolidation or sale of assets had occurred at the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen calendar months prior to the date of the Officer's Certificate), the conditions described in Section 3.06(a)(i)(B) hereof would have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, (C) the unrestricted net assets plus temporarily restricted net

assets of the successor, resulting or acquiring corporation, as the case may be, after giving effect to said merger or consolidation, or sale or conveyance of assets is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Member of the Obligated Group which was merged into, consolidated with or whose assets were acquired by, such successor corporation as reflected in the most recent Audited Financial Statements, and (D) that after such merger or consolidation or sale or conveyance of assets, no Member of the Obligated Group will be in default in the performance of any covenant contained in this Master Indenture.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall comply with the requirements of Section 3.11 hereof and shall succeed to and be substituted for its predecessor, as a Member of the Obligated Group. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable hereunder; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in this Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation hereunder shall in all respects have the same security position and benefit under this Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of this Master Indenture as though all of such Obligations had been issued hereunder without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under this Master Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subparagraph (a)(iv) hereof has been delivered, the Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VI and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

(e) Any Indebtedness previously incurred by the Person or successor corporation becoming a Member of the Obligated Group in accordance with the provisions of this Section 3.09 shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect, regardless of whether such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 hereof immediately after such Person or successor corporation became a Member of the Obligated Group.

(f) All references herein to successor corporations shall be deemed to include the surviving corporation in a merger.

Section 3.10 Filing of Audited Financial Statements; Certificate of No Default; Other Information. The Obligated Group covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than one hundred fifty (150) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited Financial Statements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and

shall include such statements necessary for a fair presentation of financial position, statement of activity and changes in net assets and cash flows of such fiscal reporting period.

(b) Within thirty (30) days after receipt of the audit report mentioned above but in no event later than one hundred fifty (150) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in this Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or Obligated Group of companies, including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours.

(d) Within thirty (30) days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of this Master Indenture requires to be prepared by a Consultant or an Insurance Consultant.

Section 3.11 Parties Becoming Members of the Obligated Group. Persons which are not Members of the Obligated Group may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under this Master Indenture and any Supplements and thereby become subject to compliance with all provisions of this Master Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, (ii) and unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, each Related Bond Issuer and each Related Credit Facility Issuer, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles, laws dealing with fraudulent conveyances, limitations on the ability of one charity to make guarantees in favor of other entities, and subject to other customary exceptions acceptable to the Master Trustee and that the obligations of such Person or successor corporation created thereunder include the requirements described in subsection (a).

(c) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to

the Holders thereof, there shall be filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of any Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(d) An Officer's Certificate of the Obligated Group Representative shall be provided to the Master Trustee demonstrating that (i) after giving effect to the admission of such Person as a Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group including such Person is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person shall become a member of the Obligated Group, (ii) the conditions described in Section 3.06(a)(i)(B) hereof have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, assuming that the Person or corporation which is becoming a Member of the Obligated Group had become a Member at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen (18) calendar months prior to the date of the Officer's Certificate) and (iii) after giving effect to the admission of such Person as a Member of the Obligated Group, no Member of the Obligated Group will be in default in the performance of any covenant contained in this Master Indenture.

(e) Any Indebtedness previously incurred by a new Member of the Obligated Group (other than the Affiliated School) shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect, if such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 hereof immediately after such Person became a Member of the Obligated Group. Any Indebtedness incurred by the Affiliated School prior to becoming a Member of the Obligated Group pursuant to subsection (g) below shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect, regardless of whether such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 hereof immediately after the Affiliated School became a Member of the Obligated Group.

(f) Each new Member of the Obligated Group shall grant to the Master Trustee a Mortgage on all Health Care Facilities owned by such Member that are either: (i) financed or refinanced with the proceeds of Indebtedness secured by an Obligation issued under the Master Indenture; or (ii) owned by such Member at the time of its admission to the Obligated Group, subject to any liens or security interests permitted to remain outstanding under Section 3.11(e) hereof. Notwithstanding the foregoing, the Affiliated School shall not be required to grant a Mortgage on any of its facilities in connection with the admission of the Affiliated School as a Member of the Obligated Group.

(g) Notwithstanding anything to the contrary in this Master Indenture, the Affiliated School may become a Member of the Obligated Group, without regard to the fact that the Affiliated School is not separately incorporated, if:

- (1) The Affiliated School delivers the instrument referred to in Section 3.11(a)(i) and (ii) with respect to the assets and revenues only of the Affiliated School (and without recourse to any other assets or revenues of New York University);

(2) The Affiliated School complies with the provisions of Section 3.11(b) provided that such opinion may be further qualified by reference to the fact that the obligation of the Affiliated School is non-recourse to the other assets and revenues of New York University;

(3) The Affiliated School complies with the provisions of Section 3.11(c); and

(4) The provisions of Section 3.11(d)(i) are satisfied.

In the event that the Affiliated School becomes a Member of the Obligated Group, all references herein to “Persons” or “corporations” shall be deemed satisfied with respect to the Affiliated School despite the fact that it is not separately incorporated so long as the Affiliated School produces annual financial statements (which may be in the form of consolidating schedules or otherwise) separately from the other assets and revenues of New York University.

Section 3.12 Withdrawal from the Obligated Group. (a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Obligated Group Representative; and provided further, that prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Related Bonds which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holders thereof, there shall be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member’s withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof under the Code;

(ii) The Obligated Group shall have provided one of the following:

(A) An Officer’s Certificate of the Obligated Group Representative demonstrating that assuming such withdrawal and any payments or extinguishment of Obligations to be made in connection therewith had occurred at the beginning of the calculation periods described below:

(1) the Long-Term Debt Service Coverage Ratio of the remaining Members for each of the most recent two periods of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available taking all Long-Term Indebtedness incurred after such period into account is not less than 1.25; and

(2) either:

(w) the Long-Term Debt Service Coverage Ratio for the remaining Members for the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available would not, if such withdrawal had occurred at the beginning of such period, be less than 1.50; or

(x) after giving effect to the withdrawal of such Member of the Obligated Group and any payment or extinguishment of Obligations to be made in connection therewith, the Ratio of Long-Term Indebtedness to Capital (where Capital is the total of unrestricted net

assets, plus temporarily restricted net assets, plus Long-Term Indebtedness) of the remaining Members of the Obligated Group as of the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available is not greater than it would have been had the withdrawal not occurred; or

(y) after giving effect to the withdrawal of such Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group would not be less than 60% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Member of the Obligated Group withdraws from the Obligated Group; or

(z) a written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two periods of twelve full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.35; *provided, however*, that compliance with the test set forth in this clause (z) may be evidenced by an Officer's Certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio for each of the two periods of twelve full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.50; or

(B) receipt by the Trustee of a Credit Enhancement, including evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed withdrawal is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than "AA" (or the corresponding rating) by any rating agency.

(iii) an Opinion of Counsel, addressed and satisfactory to the Master Trustee, each Credit Facility Issuer and (to the extent any Related Bonds of the Authority remain Outstanding), to the Authority to the effect that such withdrawal is authorized by and complies with all Governmental Restrictions and the provisions of this Master Indenture and any agreements or other documents relating to this Master Indenture, the Obligations or the Related Bonds.

(iv) an Officer's Certificate of the Obligated Group Representative certifying that upon such withdrawal the remaining Members of the Obligated Group will not be in default in the performance of any covenant contained in this Master Indenture.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, any guaranty by such Member pursuant hereto shall be released and discharged in full, the Master Trustee shall release or consent to the release of all collateral of such withdrawing Member held by or for the benefit of the Obligation Holders, and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under this Master Indenture shall cease.

"Credit Enhancement" means credit enhancement consisting of a surety bond, insurance policy, letter of credit or other form of credit enhancement from a financial institution generally regarded as responsible (in each case which is irrevocable and will remain in full force and effect for the entire period of time each such Related Bond or Obligation, as the case may be, remains outstanding (or which allows for the tender of the Related Bonds or Obligation, prior to the stated expiration of the Credit Enhancement) and provides for payment in full of principal and interest on such Related Bond or Obligation when due) or the Obligated Group has delivered, respectively, to each Related Bond Trustee for each outstanding Related Bond, each trustee for any outstanding Obligation which is not pledged to

secure Related Bonds and each holder of an outstanding Obligation which is not pledged to secure Related Bonds and with respect to which there is no trustee, credit enhancement of the types described above in this subpart. "Credit Enhancement" shall also include FHA insurance of the underlying mortgage note if such mortgage note is security for the Related Bonds or Obligation.

Section 3.13 Medicaid Account. Commencing on the date of issuance of the initial Obligations under this Master Indenture, each Member of the Obligated Group which is reimbursed as a health care provider pursuant to the Medicaid program shall establish with the Master Trustee, as depositary, an account designated the "Medicaid Revenue Account." Each such Member shall cause there to be deposited in such Medicaid Revenue Account all Medicaid reimbursement whether received directly or as a payment from a health maintenance or other third-party organization and all reimbursement received with respect to any successor program to Medicaid the purpose of which is to provide substantially similar reimbursement coverage. Each such Member of the Obligated Group agrees that it will not establish any other account to receive such funds. The Obligated Group Representative shall provide the Master Trustee, prior to January 1 of each year and upon the issuance of any additional Obligations, a schedule which shall set forth by month the estimated debt service payable on all Obligations outstanding under the Master Indenture (the "Monthly Requirement"). Such schedule, unless otherwise provided in such Supplemental Obligation shall assume that (a) any principal payment due on an Obligation shall be amortized in twelve equal monthly installments; and (b) any variable rate interest Obligation shall bear interest at the maximum rate established for the prior twelve month period.

Beginning on the first day of each month, the Master Trustee shall retain all monies in the Medicaid Revenue Accounts until the aggregate amount on deposit in all such Medicaid Revenue Accounts shall equal the Monthly Requirement for such month and transfer all funds in excess of the Monthly Requirement to the general funds of the Members of the Obligated Group. The Master Trustee shall then transfer the appropriate amount to the Holder of each Obligation in satisfaction of the payment requirement on any such Obligation then due. Notwithstanding the foregoing, in the event the Master Trustee shall receive notice of the occurrence of any Event of Default under subsections (a), (d), (e) or (f) of Section 4.01 hereof, all monies deposited to the Medicaid Revenue Accounts shall be transferred to the Gross Receipts Revenue Fund established under Section 4.03 hereof.

Section 3.14 Permitted Sale Leaseback and Partial Release Sale.

(a) The Members of the Obligated Group may, from time to time, enter into one or more sale leaseback transactions (each, a "Permitted Sale Leaseback") pursuant to which (i) there is a Transfer of fee, leasehold or other interests in real estate (the "S/L Parcel"), which may include a portion(s) of the Mortgaged Property, to a third party (an "S/L Counterparty"), (ii) the net proceeds received by the Members of the Obligated Group from such Transfer are applied to the construction and development of the S/L Parcel, (iii) the S/L Counterparty leases the S/L Parcel to the Member of the Obligated Group or their Affiliates pursuant to a lease and related documentation that may provide for the construction and development of improvements on the S/L Parcel, (iv) after consummation of the sale leaseback, the Mortgaged Property and the S/L Parcel will comply in all material ways with Governmental Restrictions including material zoning and land use requirements, (v) other than insurance proceeds and condemnation awards relating to the S/L Parcel or any improvements thereon, any receipts, revenues, income and other moneys received by or on behalf of a Member of the Obligated Group in connection with the use, ownership or interest in the S/L Parcel or the improvements thereon will remain subject to the Master Trustee's security interest in Gross Receipts.

Prior to entering into a Permitted Sale Leaseback, the Obligated Group Representative will deliver to the Master Trustee an Officer's Certificate (the "S/L Certificate") that describes the Permitted

Sale Leaseback in reasonable detail and certifies that the conditions set forth in clauses (i) through (v) above will be satisfied.

The Master Trustee will execute and deliver all instruments (such as releases, partial releases, subordinations, access agreements, ground leases and consents) that are reasonably required to effectuate a Permitted Sale Leaseback (the “S/L Master Trustee Documents”), provided that the Master Trustee has received an S/L Certificate and a written, reasonably detailed request for execution and delivery of the S/L Master Trustee Documents from the Obligated Group Representative.

(b) The Members of the Obligated Group may, from time to time, enter into one or more real estate transactions (each, a “Permitted Partial Release Sale”) pursuant to which (i) there is a sale of fee interests in real estate (the “Partial Release Parcel”), which may include a portion(s) of the Mortgaged Property, to a third party (a “Partial Release Sale Counterparty”); (ii) the sale of the Partial Release Parcel does not materially detract from the utility of the Health Care Facilities; (iii) the Partial Release Parcel is sold for fair market value as evidenced by a written appraisal prepared by an independent appraiser with experience in valuing similar assets; (iv) the net proceeds received by the Members of the Obligated Group from the Permitted Partial Release Sale will be applied to the operation, maintenance or improvement of the Mortgaged Property or to prepayment of the Obligations then outstanding, pro rata based on the Outstanding principal amount thereof or as otherwise required pursuant to the Opinion of Counsel referred to in subsection (c) below.

Prior to entering into a Permitted Partial Release Sale, the Obligated Group Representative will deliver to the Master Trustee an Officer's Certificate (the “Partial Release Sale Certificate”) that describes the Permitted Partial Release Sale in reasonable detail and certifies that the conditions set forth in clauses (i) through (iv) above will be satisfied.

The Master Trustee will execute and deliver all instruments (such as releases, partial releases, subordinations, access agreements, and consents) that are reasonably required to effectuate a Permitted Partial Release Sale (the “Partial Release Sale Master Trustee Documents”), provided that the Master Trustee has received a Partial Release Sale Certificate and a written, reasonably detailed request for execution and delivery of the Partial Release Sale Master Trustee Documents from the Obligated Group Representative.

(c) No Member of the Obligated Group shall enter into a Permitted Sale Leaseback or a Permitted Partial Release Sale pursuant to this 0 without first delivering to the Master Trustee an Opinion of Counsel, in form and substance satisfactory to the Master Trustee and the Related Bond Issuer, to the effect that the proposed transaction would not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Related Bond would otherwise be entitled.

DEFAULT AND REMEDIES

Section 4.01 Events of Default. Event of Default, as used herein, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest or other amounts on any Obligations issued and Outstanding hereunder within three (3) days of when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of this Master Indenture or of any Supplement, unless otherwise indicated in the applicable Obligation;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under this Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group and the Obligated Group Representative by the Master Trustee, or to the Members of the Obligated Group and the Obligated Group Representative and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding or by the Credit Facility Issuer, if any, with respect to an Obligation or Related Bonds; *provided, however*, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected;

(c) An event of default shall occur under a Related Bond Indenture, under a Related Loan Agreement, upon a Related Bond or under a Mortgage that secures any Obligation issued hereunder;

(d) (i) Any Member of the Obligated Group shall fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding hereunder), which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or

(ii) there shall occur an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if within 30 days (i) written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that such Member of the Obligated Group is contesting the payment of such Indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith shall commence proceedings to contest the obligation to pay such Indebtedness and if a judgment relating to such Indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness;

(e) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(f) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee

or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

Section 4.02 Acceleration; Annulment of Acceleration. (a) Upon the occurrence and during the continuation of an Event of Default hereunder, the Master Trustee may and, upon the written request of the Holders of not less than 25% in aggregate principal amount of Obligations Outstanding, shall, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other section of this Master Indenture to the contrary notwithstanding. In the event Obligations are accelerated there shall be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied or waived pursuant to Section 4.09 hereof, then the Master Trustee may, and upon the written request of Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 4.03 Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding or upon the request of the Credit Facility Issuer, if any, with respect to any series of Obligations or Related Bonds, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Bring suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of New York;

(vi) Enforcement of any Mortgage granted by any Member of the Obligated Group to secure any one or more Obligations; and

(vii) Enforcement of any other right of the Holders conferred by law or hereby.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding or the Credit Facility Issuer, if any, with respect to a series of Obligations or Related Bonds, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of the Holders not making such request.

(c) Upon the occurrence of an Event of Default pursuant to subsections (a), (d), (e) or (f) of Section 4.01 hereof, the Master Trustee shall, and upon the occurrence of any other Event of Default, the Master Trustee may realize upon any security interest which the Master Trustee may have in Gross Receipts and shall establish and maintain a Gross Receipts Revenue Fund into which shall be deposited all Gross Receipts as and when received. All amounts deposited into the Gross Receipts Revenue Fund shall be applied by the Master Trustee or made available to any alternate paying agent appointed pursuant to any Supplement for application (i) to the payment of the reasonable and necessary operating expenses of the Obligated Group, all in accordance with budgeted amounts proposed by the Obligated Group Representative, (ii) to the payment of the principal or redemption price of, and interest on all Obligations in accordance with their respective terms, and (iii) such other amounts as may be required by this Master Indenture and any Supplement hereto. Pending such application, all such moneys and investments in the Gross Receipts Revenue Fund shall be held for the equal and ratable benefit of all Obligations Outstanding; provided, that amounts held in the Gross Receipts Revenue Fund for making of debt service payments on or after the due date for Obligations shall be reserved and set aside solely for the purpose of making such payment. In addition, with regard to Gross Receipts, the Master Trustee may take any one or more of the following actions: (i) during normal business hours enter the offices or facilities of any Member of the Obligated Group and examine and make copies of the financial books and records of the Member relating to the Gross Receipts and take possession of all checks or other orders for payment of money and moneys in the possession of the Members of the Obligated Group representing Gross Receipts or proceeds thereof; (ii) notify any account debtors obligated on any Gross Receipts to make payment directly to the Master Trustee, (iii) following such notification to account debtors, collect, or, in good faith compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from each Member's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) forbid any Member to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Receipts, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (v) endorse in the name of the applicable Member any checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof.

Section 4.04 Application of Moneys after Default. During the continuance of an Event of Default, subject to the expenditure of moneys to make any payments required to permit any Member of the Obligated Group to comply with any requirement or covenant in any Related Indenture to cause Related Bonds the interest on which, immediately prior to such Event of Default, is excludable from the gross income of the recipients thereof for federal income tax purposes under the Code to retain such status under the Code, all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article shall be applied, after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee pursuant to Section 5.05 hereof, in accordance with the provisions of Section 4.03(c) hereof and, with respect to the payment of Obligations thereunder, as follows:

(a) Unless all amounts due with respect to all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on Obligations or regularly scheduled payments on an Obligation issued in connection with a Derivative Agreement (“Regularly Scheduled Swap Payments”) in the order of the maturity of such installments or payments, and, if the amount available shall not be sufficient to pay in full all installments or payments due on any date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations or payments on an Obligation issued in connection with a Derivative Agreement other than Regularly Scheduled Swap Payments (“Other Swap Payments”) which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Third: To the extent there exists a Credit Facility Issuer with respect to any series of Obligations or Related Bonds, amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clauses First and Second above.

Fourth: To the payment of all other Outstanding Obligations (including without limitation Obligations securing Derivative Agreements) ratably, according to the amounts due thereunder without any discrimination or preference.

(b) If all amounts due with respect to all Outstanding Obligations shall have become or have been declared due and payable, to the payment of all amounts then due and unpaid upon Obligations without preference or priority of principal or Other Swap Payments over interest or Regularly Scheduled Swap Payments, or of interest or Regularly Scheduled Swap Payments over principal or Other Swap Payments, or of any installment of interest or payment of Regularly Scheduled Swap Payment over any other installment of interest or payment of Regularly Scheduled Swap Payments, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal, interest, and all amounts due under any Derivative Agreement, to the Persons entitled thereto without any discrimination or preference.

(c) If all amounts due with respect to all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of subsection (b) of this Section in the event that all amounts due with respect to all Outstanding Obligations shall later become due or be declared due

and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Moneys held in the Gross Receipts Revenue Fund shall be invested in Government Obligations which mature or are redeemable at the option of the holder not later than such times as shall be required to provide moneys needed to make the payments or transfers therefrom. Subject to the foregoing, such investments shall be made in accordance with a certificate of the Obligated Group Representative directing the Master Trustee to make specific investments. Unless otherwise provided in this Master Indenture, the Master Trustee shall sell or present for redemption, any Government Obligation so acquired whenever instructed to do so pursuant to an Officer's Certificate or whenever it shall be necessary to do so to provide moneys to make payments or transfers from the Gross Receipts Revenue Fund. The Master Trustee shall not be liable or responsible for making any such investment in the manner provided above and shall not be liable for any loss resulting from any such investment. Any investment income derived from any investment of moneys on deposit in the Gross Receipts Revenue Fund shall be credited to the Gross Receipts Revenue Fund and retained therein until applied to approved purposes.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

Section 4.05 Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

Section 4.06 Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of Section 4.04 hereof, any recovery or judgment shall be for the equal benefit of the Holders.

Section 4.07 Holdings' Control of Proceedings. If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method

and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is not in conflict with any applicable law or the provisions hereof, and is not unduly prejudicial to the interest of any Holders not joining in such direction, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, in the sole judgment of the Master Trustee, and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by the Holders; provided, further, that the Credit Facility Issuer, if any, with regard to any series of Obligations or any series of Related Bonds secured by Obligations, and not the Holders, shall have the right to control proceedings with respect thereto in the manner described in this Section.

Section 4.08 Termination of Proceedings. In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 4.09 Waiver of Event of Default. (a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds, shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02 hereof, a default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default hereunder, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 4.10 Appointment of Receiver. Upon the occurrence of any Event of Default described in subsections (a), (d), (e) and (f) of Section 4.01 hereof, unless the same shall have been waived as herein provided, the Master Trustee shall be entitled as a matter of right if it shall so elect, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be

due and payable, or (iii) upon the commencement of an action to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Each Member of the Obligated Group, respectively, hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Section 4.11 Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

Section 4.12 Notice of Default. The Master Trustee shall, within ten (10) days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to S&P and all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) of Section 4.01, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

THE MASTER TRUSTEE

Section 5.04 Removal and Resignation of the Master Trustee. The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default shall have occurred and be continuing, by an instrument in writing signed by the Obligated Group Representative. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created hereby. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and to each Holder by first class mail at the address then reflected on the books of the Master Trustee and such resignation or removal shall take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or, if no such appointment is made by the Obligated Group Representative within thirty (30) days of the date notice of resignation or removal is given, the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment hereunder, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to each registered Holder.

SUPPLEMENTS AND AMENDMENTS

Section 6.01 Supplements Not Requiring Consent of Holders. Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders enter into one or more Supplements for one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission herein.
- (b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders.
- (c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.02(a).
- (d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.
- (e) To create and provide for the issuance of Indebtedness as permitted hereunder, so long as no Event of Default has occurred and is continuing under the Master Trust Indenture.
- (f) To obligate a successor to any Member of the Obligated Group as provided in Section 3.11.
- (g) To comply with the provisions of any federal or state securities law.
- (h) So long as no Event of Default has occurred and is continuing under this Master Indenture and so long as no event which with notice or the passage of time or both would become an

Event of Default under this Master Indenture has occurred and is continuing, to make any change to the provisions of this Master Indenture if the following conditions are met:

(i) the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect (i) evidence satisfactory to the Master Trustee to the effect that there exists for each Related Bond or Obligation, Credit Enhancement (as defined in Section 3.12) and (ii) evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed change is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than the rating applicable to such Related Bond or Obligation on the day prior to the effective date of such change; and

(ii) with respect to each outstanding Related Bond, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Bond would otherwise be entitled.

Section 6.02 Supplements Requiring Consent of Holders. (a) Other than Supplements referred to in Section 6.01 hereof and subject to the terms and provisions and limitations contained in this Article, the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding shall have the right, with the consent of each Credit Facility Issuer, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Except as otherwise permitted in this Master Indenture or an existing Supplement, permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement and if within such period, not exceeding three years, as shall be prescribed by each Member of the Obligated Group following the request, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) of this Section 6.02 for the Supplement in question which instrument or

instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by Section 8.01 of this Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

SATISFACTION AND DISCHARGE OF INDENTURE

Section 7.01 Satisfaction and Discharge of Indenture. If (i) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Members of the Obligated Group or any thereof, then this Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture. Each Member of the Obligated Group, respectively, hereby agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with this Master Indenture or such Obligations.

CONCERNING THE HOLDERS

Section 8.01 Evidence of Acts of Holders. (a) In the event that any request, direction or consent is requested or permitted hereunder of the Holders of any Obligation securing an issue of Related Bonds, the registered owners of such Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of such series of Related Bonds then outstanding held by each

such owner of Related Bonds bears to the aggregate principal amount of all Related Bonds of such series then outstanding; provided however that if any portion of such Related Bonds is secured by a Credit Facility that is also secured by a separate Obligation issued hereunder, the principal amount of the Obligation that secures the Related Bonds deemed outstanding for purposes of any such request, direction or consent shall be reduced by the amount of Related Bonds that are secured by such Credit Facility for the purpose of any such request, direction or consent and the Holders of the Related Bonds that are secured by such Credit Facility shall not be consulted or counted.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

(d) Nothing in this Section shall be construed as limiting the Master Trustee to the proof herein specified, it being intended that the Master Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

(e) Any action taken or suffered by the Master Trustee pursuant to any provision hereof upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

(f) In the event that any request, direction or consent is requested or permitted hereunder of the Holders of an Obligation that constitutes a Guaranty, for purposes of any such request, direction or consent, the principal amount of such Obligation shall be deemed to be the stated principal amount of such Obligation.

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Appendix F
Proposed Form of Approving Opinion
of Bond Counsel

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December __, 2007

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

Re: \$94,150,000 Dormitory Authority of the State of
New York NYU Hospitals Center Revenue Bonds, Series 2007B

Ladies and Gentlemen:

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with its issuance of \$94,150,000 aggregate principal amount of NYU Hospitals Center Revenue Bonds, Series 2007B (the "Series 2007B Bonds"), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law), which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (constituting Chapter 6 of Title 18 of the New York Unconsolidated Laws), and Part B of the Authority's Amended and Restated NYU Hospitals Center Obligated Group Revenue Bond Resolution adopted pursuant to a Supplemental Resolution, adopted on June 28, 2006, which amended and restated the Authority's Mount Sinai NYU Health Obligated Group Revenue Bond Resolution, adopted April 5, 2000 (the "Resolution") and the Series 2007B Resolution Authorizing NYU Hospitals Center Revenue Bonds, Series 2007B, adopted October 31, 2007 (the "Series 2007B Resolution"). The Resolution and the Series 2007B Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into an Amended and Restated Loan Agreement with NYU Hospitals Center ("NYUHC"), dated as of June 28, 2006, as supplemented by Supplement No. 1 to the Amended and Restated Loan Agreement, dated as of November 29, 2006, and Supplement No. 2 to the Amended and Restated Loan Agreement, dated as of October 31, 2007 (collectively, the "Loan Agreement"), providing, among other things, for a loan to NYUHC for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, NYUHC is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Series 2007B Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of such Series 2007B Bonds.

The Series 2007B Bonds are secured by, among other things, funds and accounts held under the Resolutions and a pledge of payments to be made under the Loan Agreement. In addition, the Series 2007B Bonds are secured by payments to be made by NYUHC on its Obligation No. 8, dated as of October 31, 2007 (the "Series 2007B Obligation") issued by NYUHC under a Master Trust Indenture, dated as of June 28, 2006 (the "Master Trust Indenture"), between NYUHC and The Bank of New York, as master trustee (the "Master Trustee"), as such Master Trust Indenture is supplemented by Supplemental Indenture No. 8, dated as of October 31, 2007 ("Supplement No. 8" and, together with the Master Trust Indenture and all other supplements thereto, the "Master Indenture"), between the NYUHC and the Master Trustee. The Series 2007B Obligation is being delivered to the Authority as evidence of NYUHC's obligation to repay the proceeds of the Series 2007B Bonds and is assigned by the Authority to the Trustee as security for the payment of the Series 2007B Bonds.

Interest on the Series 2007B Bonds is to be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2008. The Series 2007B Bonds are to mature on the dates and in the years and amounts set

forth in the Bond Series Certificate executed and delivered pursuant to the Resolutions concurrently with the issuance of the Series 2007B Bonds.

The Series 2007B Bonds are to be issued in fully registered form in the denominations of \$100,000 at maturity or any integral multiple of \$5,000 in excess thereof. The Series 2007B Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions and the Bond Series Certificate.

In such connection, we have reviewed the Resolutions, the Loan Agreement, the Series 2007B Obligation, the Master Indenture, the Tax Certificate and Agreement dated as of the date hereof (the "Tax Certificate") between the Authority and NYUHC, opinions of counsel to the Authority, the Trustee and NYUHC, certificates of the Authority, the Trustee, NYUHC, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Annette B. Johnson, Esq., NYUHC's Vice President and General Counsel, regarding, among other matters, the current qualification of NYUHC as an organization 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 Series 2007B Bonds in activities that are not considered unrelated trade or business activities of NYUHC 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 NYUHC 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 NYUHC within the meaning of Section 513 of the Code, may result in interest on Series 2007B Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2007B 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 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, parties other than the Authority. We have assumed, without undertaking to verify the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2007B Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2007B Bonds, the Resolutions, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditor's rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, 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 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 Series 2007B Bonds and express no opinion with respect thereto herein.

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

1. The Authority has been duly created, is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York and is duly authorized and entitled to issue the Series 2007B Bonds.

2. The Series 2007B Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly and lawfully adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge and a valid lien, to secure the payment of the principal of and interest on the Series 2007B Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Series 2007B Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by NYUHC, constitutes the valid and binding agreement of the Authority in accordance with its terms.

5. The Series 2007B 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 Series 2007B Bonds. The Series 2007B 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 Series 2007B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2007B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Series 2007B 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 Series 2007B Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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