

DASNY

\$512,410,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI
REVENUE BONDS, SERIES 2015A

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

Payment and Security: The Icahn School of Medicine at Mount Sinai Revenue Bonds, Series 2015A (the "Series 2015 Bonds") are special obligations of the Dormitory Authority of the State of New York ("DASNY" or the "Authority") payable solely from and secured by a pledge of certain payments to be made under the Loan Agreement, dated as of June 27, 2007, as previously amended and supplemented and as further supplemented by the Supplement No. 2 to Loan Agreement, dated as of May 13, 2015 (collectively, the "Loan Agreement"), each between the Icahn School of Medicine at Mount Sinai (formerly known as Mount Sinai School of Medicine of New York University) (the "Institution" or the "School") and the Authority and all funds and accounts (except the Arbitrage Rebate Fund) authorized under the Mount Sinai School of Medicine of New York University Revenue Bond Resolution, adopted June 27, 2007 (the "Resolution") and established under the Series 2015A Resolution Authorizing Up To \$580,000,000 Icahn School of Medicine at Mount Sinai Revenue Bonds, Series 2015A, adopted May 13, 2015 (the "Series 2015 Resolution").

The Loan Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay the principal and Redemption Price of and interest on the Series 2015 Bonds, as such payments become due. The obligations of the Institution under the Loan Agreement to make such payments will be secured by a pledge of certain revenues of the Institution. **Neither the Loan Agreement nor the Series 2015 Bonds are obligations of The Mount Sinai Hospital or The Mount Sinai Medical Center, Inc.**

The Series 2015 Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2015 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due January 1, 2016 and each July 1 and January 1 thereafter) will be payable by check or draft mailed to the registered owners of the Series 2015 Bonds at their addresses as shown on the registration books held by the Trustee or, at the option of a holder of at least \$1,000,000 in principal amount of Series 2015 Bonds, by wire transfer to the holder of such Series 2015 Bonds, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or Redemption Price of the Series 2015 Bonds will be payable at the principal corporate trust office of Manufacturers and Traders Trust Company, Buffalo, New York, the Trustee and Paying Agent or, with respect to Redemption Price, at the option of a holder of at least \$1,000,000 in principal amount of Series 2015 Bonds, by wire transfer to the holders of such Series 2015 Bonds as more fully described herein.

The Series 2015 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2015 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2015 Bonds, payments of the principal and Redemption Price of and interest on such Series 2015 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 2015 BONDS - Book-Entry Only System" herein.

Redemption and Purchase in Lieu of Optional Redemption: *The Series 2015 Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as more fully described herein.*

Tax Matters: In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). In the further opinion of Bond Counsel, interest on the Series 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2015 Bonds. See "PART 12 - TAX MATTERS" herein.

The Series 2015 Bonds are offered when, as and if issued. The offer of the Series 2015 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Institution by Beth Essig, Esq., its Executive Vice President and General Counsel and by its Special Counsel, Winston & Strawn LLP, New York, New York, and for the Underwriters by their Counsel, Mintz, Levin, Cohn, Ferris, Glosky and Popeo, P.C., New York, New York, and the Law Offices of Joseph C. Reid, P.A., New York, New York. The Authority expects to deliver the Series 2015 Bonds in definitive form in New York, New York, on or about August 20, 2015.

Citigroup
Academy Securities, Inc.
J.P. Morgan
Rice Financial Products Company

BofA Merrill Lynch
Morgan Stanley
Stifel

Goldman, Sachs & Co.
Fidelity Capital Markets
Ramirez & Co., Inc.
TD Securities

\$512,410,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI
REVENUE BONDS, SERIES 2015A

<u>Due July 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2016	\$12,620,000	2.500%	0.510%	64990BPN7
2017	9,960,000	3.000	0.940	64990BPP2
2018	10,250,000	5.000	1.300	64990BPQ0
2019	10,765,000	5.000	1.540	64990BPR8
2020	11,305,000	4.000	1.850	64990BPS6
2021	10,895,000	5.000	2.210	64990BPT4
2022	11,430,000	5.000	2.560	64990BPU1
2023	11,985,000	5.000	2.800	64990BPV9
2024	12,620,000	5.000	2.960	64990BPW7
2025	17,670,000	5.000	3.090	64990BPX5
2026	18,515,000	5.000	3.240*	64990BPY3
2027	19,400,000	5.000	3.370*	64990BPZ0
2028	20,330,000	5.000	3.450*	64990BQA4
2029	21,355,000	5.000	3.530*	64990BQB2
2030	22,105,000	5.000	3.590*	64990BQC0
2031	23,215,000	5.000	3.680*	64990BQD8
2032	24,380,000	5.000	3.730*	64990BQE6
2033	25,595,000	5.000	3.770*	64990BQF3
2034	26,875,000	5.000	3.810*	64990BQG1
2035	28,215,000	5.000	3.830*	64990BQH9
2036	29,625,000	4.000	4.090	64990BQM8

\$64,325,000 5.00% Term Bonds maturing July 1, 2040 to Yield* 3.94% CUSIP** : 64990BQJ5

\$25,000,000 4.00% Term Bonds maturing July 1, 2040 to Yield 4.14% CUSIP** : 64990BQL0

\$43,975,000 5.00% Term Bonds maturing July 1, 2045 to Yield* 4.02% CUSIP** : 64990BQK2

* Priced to the first optional redemption date, July 1, 2025.

** CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2015 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2015 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015 Bonds.

No dealer, broker, salesperson or other person has been authorized by DASNY, the Institution or the Underwriters to give any information or to make any representations with respect to the Series 2015 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by DASNY, the Institution or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

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

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

The Institution reviewed the parts of this Official Statement describing the Institution, Risk Factors and Regulatory Changes Affecting the School, the Series 2015 Project, the Refunding Plan, the Estimated Sources and Uses of Funds, Source of Payment and Security for the Series 2015 Bonds, The Series 2015 Bonds – Principal, Sinking Fund Installments and Interest Requirements, Tax Matters, Continuing Disclosure and Appendix B. It is a condition to the sale and the delivery of the Series 2015 Bonds that the Institution certify that, as of each such date, such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolution, the Series 2015 Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2015 Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2015 Resolution and the Loan Agreement 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 2015 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
PART 1 - INTRODUCTION..... 1	Property, Plant and Equipment 37
Purpose of the Official Statement..... 1	Long-Term Debt 37
Purpose of the Issue..... 1	Professional and General Liability Insurance Program..... 38
Authorization of Issuance..... 1	Litigation..... 38
DASNY 2	The Mount Sinai Hospital 38
The Institution 2	PART 5 - RISK FACTORS AND REGULATORY CHANGES
The Series 2015 Bonds 2	WHICH MAY AFFECT THE SCHOOL 39
Payment of the Series 2015 Bonds 2	General..... 39
Outstanding Obligations 2	Federal Policy Affecting Research Facilities 39
Security for the Series 2015 Bonds 3	Health Care Industry Factors Affecting the School..... 39
The Mortgages..... 3	Insurance and Malpractice Lawsuits 39
PART 2 - SOURCE OF PAYMENT AND SECURITY FOR	Reimbursement from Third Parties 40
THE SERIES 2015 BONDS 4	Philanthropy and Investments 40
Payment of the Series 2015 Bonds 4	PART 6 - THE SERIES 2015 PROJECT 40
Security for the Series 2015 Bonds 4	PART 7 - THE REFUNDING PLAN 41
Financial Covenants 5	PART 8 - ESTIMATED SOURCES AND USES OF FUNDS 41
The Mortgages..... 5	PART 9 - DASNY 41
Events of Default and Acceleration 6	Background, Purposes and Powers 41
General 7	PART 10 - LEGALITY OF THE SERIES 2015 BONDS FOR
Additional Bonds/Parity Indebtedness 7	INVESTMENT AND DEPOSIT 47
PART 3 - THE SERIES 2015 BONDS 7	PART 11 - NEGOTIABLE INSTRUMENTS 47
Description of the Series 2015 Bonds 7	PART 12 - TAX MATTERS..... 47
Redemption and Purchase in Lieu of Optional	PART 13 - STATE NOT LIABLE ON THE SERIES 2015
Redemption Provisions..... 8	BONDS 50
Book-Entry Only System 10	PART 14 - COVENANT BY THE STATE 50
Principal, Sinking Fund Installments and Interest	PART 15 - LEGAL MATTERS..... 50
Requirements..... 13	PART 16 – VERIFICATION OF MATHEMATICAL
PART 4 - THE INSTITUTION 15	COMPUTATIONS 50
GENERAL INFORMATION..... 15	PART 17 - UNDERWRITING 51
History..... 15	PART 18 - RATINGS..... 51
Governance 15	PART 19 - CONTINUING DISCLOSURE..... 51
Senior Management..... 17	PART 20 - MISCELLANEOUS 52
Conflict of Interest..... 20	
Principal Facilities and Properties 20	Appendix A - Certain Definitions A-1
Degree Granting Educational Programs 21	Appendix B - Consolidated Financial Statements of
Post Graduate Residency Education and Fellowship	Icahn School of Medicine at Mount
Program 22	Sinai for the Years Ended December
Research 22	31, 2014 and 2013 and for the Years
Commercialization of Discoveries and Innovations 24	Ended December 31, 2013 and 2012
Clinical Programs; Faculty Practice Associates 24	with Reports of Independent
Professional Services Agreement 25	Auditors B-1
Philanthropy 26	Appendix C - Summary of Certain Provisions of
Faculty..... 26	the Loan Agreement C-1
Employees 27	Appendix D - Summary of Certain Provisions of
The Strategic Plan and Factors Affecting Financial	the Resolution D-1
Performance..... 27	Appendix E - Form of Approving Opinion of Bond
Accreditation 30	Counsel E-1
Affiliations 30	Appendix F - Form of Continuing Disclosure
OPERATING INFORMATION..... 32	Agreement F-1
Financial Discussion..... 32	
Management’s Discussion of Financial Performance..... 33	
Endowment and Investments..... 34	
Composition of Investment Pool 37	



DORMITORY AUTHORITY - STATE OF NEW YORK - 515 BROADWAY ALBANY, N.Y. 12207
GERRARD P. BUSHHELL – PRESIDENT **ALFONSO L. CARNEY, JR., ESQ. - CHAIR**

OFFICIAL STATEMENT RELATING TO
\$512,410,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI
REVENUE BONDS, SERIES 2015A

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (“DASNY” or the “Authority”) and the Icahn School of Medicine at Mount Sinai (the “Institution” or the “School”) in connection with the offering by the Authority of \$512,410,000 principal amount of its Icahn School of Medicine at Mount Sinai Revenue Bonds, Series 2015A (the “Series 2015 Bonds”).

The following is a brief description of certain information concerning the Series 2015 Bonds, DASNY and the School. A more complete description of such information and additional information that may affect decisions to invest in the Series 2015 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The proceeds of the Series 2015 Bonds will be loaned by DASNY to the Institution and, together with other available funds, are expected to be used to provide funds for the financing or refinancing of all or a portion of the cost of certain renovations and equipment for the Annenberg Building and the Icahn Medical Institute (as more fully described under “PART 6 - THE SERIES 2015 PROJECT” herein) and to refund (i) all of DASNY’s \$114,325,000 outstanding aggregate principal amount of Mount Sinai School of Medicine of New York University Revenue Bonds, Series 2007 (the “Series 2007 Bonds”) and (ii) all of DASNY’s \$369,915,000 outstanding aggregate principal amount of Mount Sinai School of Medicine of New York University Revenue Bonds, Series 2009 (the “Series 2009 Bonds” and collectively with the Series 2007 Bonds, the “Refunded Bonds”). Proceeds of the Series 2015 Bonds will also be used to pay the costs of issuance of the Series 2015 Bonds. See “PART 6 - THE SERIES 2015 PROJECT,” “PART 7 – THE REFUNDING PLAN” and “PART 8 - ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2015 Bonds will be issued pursuant to the Resolution, the Series 2015 Resolution and the Act. The Resolution authorizes the issuance of multiple Series of Bonds. Each Series of Bonds is to be separately

secured by the Revenues and the funds and accounts established pursuant to a Series Resolution. The Series 2015 Bonds (and any additional Bonds heretofore or hereafter issued under the Resolution) are also secured by the pledge of the Authority's security interest in the Pledged Revenues, subject to Prior Pledges. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS - Security for the Series 2015 Bonds - Pledged Revenues" and "PART 4 - THE INSTITUTION - GENERAL INFORMATION – Clinical Programs; Faculty Practice Associates." In connection with future indebtedness of the Institution, the Institution may grant to the holders of such future indebtedness a security interest in the Pledged Revenues on a parity with the Authority's security interest in the Pledged Revenues securing the outstanding Resolution Bonds (defined herein), subject to the hereinafter referred to Prior Pledges. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS - Additional Bonds/Parity Indebtedness" and "Appendix C Summaries of Certain Provisions of the Loan Agreement." The Series 2015 Resolution authorizes the issuance of the Series 2015 Bonds in an amount not to exceed \$580,000,000. See "PART 3 - THE SERIES 2015 BONDS."

DASNY

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

The Institution

The Institution is an independent, coeducational, nonsectarian institution of higher education chartered by the Board of Regents of the State. The Institution is located in New York, New York. See "PART 4 - THE INSTITUTION" and "Appendix B - Consolidated Financial Statements of Icahn School of Medicine at Mount Sinai for the Years Ended December 31, 2014 and 2013 and for the Years Ended December 31, 2013 and 2012 with Reports of Independent Auditors." **Neither the Loan Agreement nor the Series 2015 Bonds are obligations of The Mount Sinai Hospital or The Mount Sinai Medical Center, Inc.**

The Series 2015 Bonds

The Series 2015 Bonds will be dated the date of delivery, and will bear interest from such date (payable January 1, 2016 and on each July 1 and January 1 thereafter) at the rates set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2015 BONDS."

Payment of the Series 2015 Bonds

The Series 2015 Bonds will be special obligations of the Authority payable solely from the Revenues which consist of certain payments to be made by the Institution under the Loan Agreement. The Loan Agreement is a general obligation of the Institution. Pursuant to the Resolution and the Series 2015 Resolution, the Revenues and the Authority's right to receive the Revenues have been pledged to the Trustee. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS."

Outstanding Obligations

The Authority has previously issued several series of bonds on behalf of the Institution of which four are currently outstanding in the total principal amount of \$583,415,000 (the "Outstanding Bonds"). As of the date hereof, the Outstanding Bonds consist of \$59,600,000 Mount Sinai School of Medicine of New York University Revenue Bonds, Series 2010A (the "Series 2010 Bonds"); the Series 2009 Bonds; the Series 2007 Bonds; and the \$39,575,000 Mount Sinai School of Medicine Insured Revenue Bonds, Series 1994A (the "Series 1994A Bonds"). The Series 2007 Bonds, the Series 2009 Bonds and the Series 2010 Bonds, all issued under the Resolution, are collectively referred to herein as the "Prior Resolution Bonds" and, together with the Series 2015 Bonds, as the "Resolution Bonds."

Security for the Series 2015 Bonds

The Series 2015 Bonds (and any additional Bonds heretofore or hereafter issued under the Resolution or Additional Parity Indebtedness) are secured by the pledge of the Authority's security interest in the Pledged Revenues, subject to Prior Pledges. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS - Security for the Series 2015 Bonds - Pledged Revenues" and "PART 4 - THE INSTITUTION - GENERAL INFORMATION - Clinical Programs; Faculty Practice Associates." In connection with future indebtedness of the Institution, the Institution may grant to the holders of such future indebtedness a security interest in the Pledged Revenues on a parity with the Authority's security interest in the Pledged Revenues currently securing the outstanding Resolution Bonds, subject to Prior Pledges. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS - Additional Bonds/Parity Indebtedness" and "Appendix C - Summary of Certain Provisions of the Loan Agreement." The Series 2015 Bonds will also be secured by all funds and accounts authorized by the Resolution and established by the Series 2015 Resolution (with the exception of the Arbitrage Rebate Fund). The Resolution authorizes the issuance by the Authority, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and to be separately secured from each other Series of Bonds and the Series 2015 Bonds. Except as set forth above, the Holders of Bonds of a Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series. The Pledged Revenues, which are subject to Prior Pledges, will secure the Institution's obligations under the Loan Agreement. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS - Security for the Series 2015 Bonds."

The Series 2015 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

The Mortgages

The Institution's obligations to the Authority under the Loan Agreement will be additionally secured by mortgages (the "Series 2015 Mortgages") on the Series 2015 Mortgaged Property (as defined below) and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. The Authority may, but has no present intention to, assign the Series 2015 Mortgages and such security interests to the Trustee. Prior to any such assignment, the Authority may modify, waive any provision of and/or release all or a portion of the Series 2015 Mortgages and the related security interests. Upon the occurrence of certain events of default under the Loan Agreement, the Authority is obligated to assign the Series 2015 Mortgages and the related security interests to the Trustee.

The Series 2015 Mortgages will encumber the Center for Advanced Medicine and the Leon & Norma Hess Center for Science and Medicine, together with the Institution's interest in the adjacent building known as the Mount Sinai Unit at 1214 5th Avenue (formerly known as 4-20 East 102nd Street or 10 East 102nd Street), which provides support and ancillary services to the Leon & Norma Hess Center for Science and Medicine (collectively, the "Series 2015 Mortgaged Property"). See "PART 4 – THE INSTITUTION – GENERAL INFORMATION – Principal Facilities and Properties" herein for descriptions of the Center for Advanced Medicine and the Leon & Norma Hess Center for Science and Medicine.

The Series 2015 Mortgaged Property is currently subject to existing mortgages and related security interests securing prior loans (the "Prior Loans") made by DASNY to the Institution from the proceeds of the Prior Resolution Bonds (such existing mortgages, together with the Series 2015 Mortgages, the "Parity Mortgages"). The Parity Mortgages and related security interests securing the Prior Loans are subject to an intercreditor agreement among between DASNY and the Prior Trustee (as defined in Part 7), which intercreditor agreement was consented to by the bond insurer for the Series 2007 Bonds. In connection with the issuance of the Series 2015 Bonds, DASNY and the Trustee will enter into an Amended and Restated Intercreditor Agreement (the "Intercreditor Agreement"). Pursuant to the terms of the Intercreditor Agreement, the distribution of proceeds from the enforcement or foreclosure of the Parity Mortgages will be

pro rata based on the outstanding principal amount (after deducting certain amounts) of the loans secured by such Parity Mortgages, thereby effectively placing related loans on a parity with respect to foreclosure proceeds regardless of the order of priority of the liens granted under such Parity Mortgages. The Intercreditor Agreement may be amended in connection with any additional Bonds issued under the Resolution or Additional Parity Indebtedness to provide that Holders of such additional indebtedness may share on a parity with respect to foreclosure proceeds of the Parity Mortgages, including the Series 2015 Mortgages. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS - The Mortgage” and “PART 4 - THE INSTITUTION.”

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2015 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2015 Resolution and the Loan Agreement. Copies of the Resolution, the Series 2015 Resolution and the Loan Agreement are on file with the Authority and the Trustee. See also “Appendix C - Summary of Certain Provisions of the Loan Agreement” and “Appendix D - Summary of Certain Provisions of the Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto. All references to the Debt Service Fund refer to such fund established pursuant to the Series 2015 Resolution.

Payment of the Series 2015 Bonds

The Series 2015 Bonds will be special obligations of the Authority. The principal and Redemption Price of and interest on the Series 2015 Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement to satisfy the principal and Redemption Price of and interest on the Bonds. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Series 2015 Bondholders.

The Loan Agreement is a general obligation of the Institution and obligates the Institution to make payments to satisfy the principal and interest on Outstanding Series 2015 Bonds and all other Bonds issued under the Resolution. Such payments are to be made monthly on the 10th day of each month. Each payment is to be equal to a proportionate share of the interest coming due on the next succeeding interest payment date and of the principal coming due on the next succeeding July 1. Unless otherwise agreed to by the Authority, the Loan Agreement also obligates the Institution to pay, at least 45 days prior to a redemption date of Series 2015 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Bonds. See “PART 3 - THE SERIES 2015 BONDS - Redemption and Purchase in Lieu of Optional Redemption Provisions.”

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

The Authority has directed, and the Institution has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee, as applicable, to the payment of the principal and Redemption Price of and interest on the Series 2015 Bonds.

Security for the Series 2015 Bonds

The Series 2015 Bonds will be secured by the pledge and assignment of the Revenues, all funds and accounts authorized under the Resolution and established under the Series 2015 Resolution (with the exception of the Arbitrage Rebate Fund) and the Authority’s security interest in the Pledged Revenues, consisting of moneys, income, rents and revenues receivable by the Institution from the fees charged for the professional services rendered to patients by members of the Institution’s faculty who participate in the Institution’s Faculty Practice Associates Plan or any successor or alternative arrangement and the right to receive the same, and the

proceeds thereof, and the right to receive such Pledged Revenues, on a parity with the pledge of Pledged Revenues in connection with the Prior Resolution Bonds, subject to the Prior Pledges. See “PART 4 - THE INSTITUTION - GENERAL INFORMATION – Clinical Programs; Faculty Practice Associates.” Pursuant to the terms of the Resolution, the funds and accounts established by the Series 2015 Resolution secure only the Series 2015 Bonds, and do not secure any other Series of Bonds issued under the Resolution regardless of their dates of issue.

In connection with future indebtedness of the Institution, the Institution may grant to the holders of such future indebtedness a security interest in the Pledged Revenues on a parity with the Authority’s security interest in the Pledged Revenues securing the outstanding Resolution Bonds, subject to Prior Pledges. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS - Additional Bonds/Parity Indebtedness” and “Appendix C - Summary of Certain Provisions of the Loan Agreement.”

Financial Covenants

The Loan Agreement contains certain financial covenants of the Institution, including a maintenance covenant and a test to incur Additional Parity Indebtedness as described below. See “Appendix A - Certain Definitions” for the definitions of the defined terms used below but not defined in the forepart of this Official Statement. See also “Appendix C - Summary of Certain Provisions of the Loan Agreement” for a further description of the financial covenants contained in the Loan Agreement.

Maintenance Covenant

The Institution covenants that it shall maintain a Debt Service Coverage Ratio of at least 1.10:1.0 in each fiscal year. If as of the last day of the Institution’s fiscal year the Debt Service Coverage Ratio is less than 1.10:1.0, the Institution will, unless waived by the Authority, promptly employ a Consultant acceptable to the Authority. The failure of the Institution to maintain a Debt Service Coverage Rate of at least 1.0:1.0 is an Event of Default under the Loan Agreement.

Additional Parity Indebtedness

The Institution has covenanted in the Loan Agreement that it shall not incur any Additional Parity Indebtedness unless the chief financial officer of the Institution provides a certificate to the Authority stating (i) that the Faculty Practice Plan Revenues for the immediately preceding fiscal year of the Institution for which audited financial statements are available were at least equal to maximum aggregate Debt Service on all Outstanding Bonds and Additional Parity Indebtedness, calculated after giving effect to the incurrence of the Additional Parity Indebtedness then to be incurred; and (ii) the Debt Service Coverage Ratio for the most recent fiscal year for which audited financial statements are available was at least 1.20 after taking into account the Additional Parity Indebtedness then proposed to be issued; and (iii) that the Additional Parity Indebtedness then proposed to be issued would not cause the Debt to Capitalization Ratio to exceed 80%.

See “Appendix C – Summary of Certain Provisions of the Loan Agreement – Additional Representations and Covenants.”

The Mortgages

In connection with the delivery of the Series 2015 Bonds, the Institution will execute and deliver the Series 2015 Mortgages to the Authority on the Series 2015 Mortgaged Property and grant the Authority a security interest in certain fixtures, furnishings and equipment to secure the payments required to be made by the Institution pursuant to the Loan Agreement. The Authority may assign its rights under the Loan Agreement and the Series 2015 Mortgages and its security interests to the Trustee, but has no present intention to do so. Prior to any such assignment, the Authority may modify, waive any provision of and/or release all or a portion of the Series 2015 Mortgages and the related security interests.

Upon the occurrence of certain events of default under the Loan Agreement, the Authority is obligated to assign the Parity Mortgages and the related security interests to the Trustee. In addition, upon the occurrence of an event of default under the Resolution, other than an event of default as a result of which interest on the Series 2007 Bonds is no longer excludable from gross income for federal income tax purposes, upon request of the Insurer of the Series 2007 Bonds as provided in the Resolution, the Authority is obligated to assign the Series 2007 Mortgage and the related security interests to the Trustee. Under the Intercreditor Agreement, an obligation to assign any of the Parity Mortgages will trigger an obligation on the part of the Authority to assign the other Parity Mortgages to the Trustee, at which time the Parity Mortgages will secure the related Resolution Bonds.

Pursuant to the terms of the Intercreditor Agreement, the distribution of proceeds from the enforcement or foreclosure of the Parity Mortgages will be pro rata based on the outstanding principal amount (after deducting certain amounts) of the Resolution Bonds secured by such Parity Mortgages, thereby effectively placing the outstanding Resolution Bonds on a parity with respect to foreclosure proceeds regardless of the order of priority of the liens granted under such Parity Mortgages. The Intercreditor Agreement may be amended in connection with any additional Bonds issued under the Resolution or Additional Parity Indebtedness to provide that Holders of such additional indebtedness may share on a parity with respect to foreclosure proceeds of the Parity Mortgages, including the Series 2015 Mortgages. See “PART 4 - THE INSTITUTION.”

Events of Default and Acceleration

The Resolution provides that events of default thereunder and under the Series 2015 Resolution constitute events of default only with respect to the Series 2015 Bonds. The following are events of default under the Resolution: (i) a default in the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2015 Bonds; (ii) the Authority shall default in the due and punctual performance of any covenants contained in the Series 2015 Resolution to the effect that the Authority shall comply with the provisions of the Code applicable to the Series 2015 Bonds necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on the Series 2015 Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Series 2015 Bonds shall no longer be excludable from gross income under Section 103 of the Code; (iii) a default by the Authority in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Series 2015 Bonds or in the Resolution or in the Series 2015 Resolution which continues for 30 days after written notice thereof is given to the Authority by the Trustee (such notice to be given at the Trustee’s discretion or at the written request of the Holders of not less than 25% in principal amount of Outstanding Series 2015 Bonds); and (iv) an “Event of Default,” as defined in the Loan Agreement, shall have occurred and is continuing and all sums payable by the Institution under the Loan Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled). Unless all sums payable by the Institution under the Loan Agreement are declared immediately due and payable, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default (other than as described in clause (ii) of the preceding paragraph) occurs and continues, the Trustee shall, upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2015 Bonds, by written notice to the Authority, declare the principal of and interest on all of the Outstanding Series 2015 Bonds to be due and payable immediately. At the expiration of 30 days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee may, with the written consent of the Holders of not less than 25% in principal amount of the Series 2015 Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment. See “Appendix D - Summary of Certain Provisions of the Resolution.”

The Holders of not less than 25% in principal amount of the Outstanding Series 2015 Bonds or, in the case of a default described in subclause (ii) in the first paragraph under this subheading, the Holders of not less than a majority in principal amount of the Outstanding Series 2015 Bonds, shall have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the Holders of the Series 2015 Bonds within 30 days, after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that except in the case of default in the payment of principal, Sinking Fund Installments or Redemption Price of, or interest on, any of the Series 2015 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 2015 Bonds.

General

The Series 2015 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. See “PART 7 - THE AUTHORITY.”

Additional Bonds/Parity Indebtedness

In addition to the Series 2015 Bonds, the Resolution authorizes the issuance by the Authority of other Series of Bonds to finance Projects and for other specified purposes for the benefit of the Institution. Each such Series of Bonds will be separately secured by the revenues and the funds and accounts established pursuant to a Series Resolution authorizing such Series. However, any additional Bonds issued under the Resolution will also be secured by the pledge of the Authority’s security interest in the Pledged Revenues, on a parity with the outstanding Resolution Bonds, but subject to Prior Pledges. See “PART 4 - THE INSTITUTION - GENERAL INFORMATION – Clinical Programs; Faculty Practice Associates.” In addition, the Institution may incur other indebtedness in the future and may grant to the holders of such indebtedness a security interest in the Pledged Revenues on a parity with the Authority’s security interest in the Pledged Revenues securing the outstanding Resolution Bonds and any such additional indebtedness, subject to Prior Pledges. See “Appendix C - Summary of Certain Provisions of the Loan Agreement.”

PART 3 - THE SERIES 2015 BONDS

Description of the Series 2015 Bonds

The Series 2015 Bonds will be issued pursuant to the Resolution and the Series 2015 Resolution. The Series 2015 Bonds will be dated the date of delivery, and will bear interest from such date (payable January 1, 2016 and on each July 1 and January 1 thereafter) at the rates, and will mature at the times, set forth on the inside cover page of this Official Statement.

The Series 2015 Bonds will be issued as fully registered bonds. The Series 2015 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2015 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2015 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2015 Bonds, the Series 2015 Bonds will be exchangeable for other fully registered Series 2015 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “Book-Entry Only System” herein and “Appendix D - Summary of Certain Provisions of the Resolution.”

Interest on the Series 2015 Bonds will be payable by check mailed to the registered owners thereof. The principal or redemption price of the Series 2015 Bonds will be payable in lawful money of the United

States of America at the principal corporate trust office of Manufacturers and Traders Trust Company, Buffalo, New York, the Trustee and Paying Agent; or, with respect to Redemption Price, at the option of a holder of at least \$1,000,000 in principal amount of Series 2015 Bonds, by wire transfer to the holders of such Series 2015 Bonds. As long as the Series 2015 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “Book-Entry Only System” herein.

For a more complete description of the Series 2015 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Redemption and Purchase in Lieu of Optional Redemption Provisions

The Series 2015 Bonds are subject to mandatory redemption, optional redemption, and purchase in lieu of optional redemption, as described below.

Mandatory Redemption

The Series 2015 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 2015 Bonds specified below:

5.00%
Series 2015 Bonds
Maturing on July 1, 2040

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2037	\$18,815,000	2039	\$21,045,000
2038	19,855,000	2040 [†]	4,610,000

4.00%
Series 2015 Bonds
Maturing on July 1, 2040

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2037	\$12,000,000	2039	\$5,000,000
2038	5,000,000	2040 [†]	3,000,000

Series 2015 Bonds
Maturing on July 1, 2045

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2041	\$7,960,000	2044	\$9,210,000
2042	8,355,000	2045 [†]	9,675,000
2043	8,775,000		

†Final Maturity

There will be credited against and in satisfaction of all or a portion of a Sinking Fund Installment payable on any date, the principal amount of Series 2015 Bonds entitled to such Sinking Fund Installment (A) purchased with money in the Debt Service Fund pursuant to the Resolution, (B) redeemed at the option of DASNY, (C) purchased by the Institution or DASNY and delivered to the Trustee for cancellation or (D) deemed to have been paid in accordance with the Resolution. Series 2015 Bonds purchased with money in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2015 Bonds so purchased payable on the next succeeding July 1. Series 2015 Bonds redeemed at the option of

DASNY, purchased by DASNY or the Institution (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as DASNY may direct in its discretion. To the extent DASNY's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2015 Bonds of the maturity entitled to such Sinking Fund Installment will be reduced for such year.

Optional Redemption

The Series 2015 Bonds maturing on or before July 1, 2025 are not subject to optional redemption prior to maturity. The Series 2015 Bonds maturing after July 1, 2025 are subject to redemption prior to maturity on or after July 1, 2025 in any order at the option of the Authority, in whole or in part at any time, at a Redemption Price of 100% of the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest to the redemption date.

Purchase in Lieu of Optional Redemption

The Series 2015 Bonds maturing after July 1, 2025 are subject to purchase in lieu of optional redemption prior to maturity, at the option of the Institution, on or after July 1, 2025, in any order, in whole or in part at any time, at a price of 100% of the principal amount thereof (the "Purchase Price"), plus accrued interest to the date set for purchase (the "Purchase Date").

Selection of Bonds to be Redeemed

In the case of redemptions of Series 2015 Bonds described above under the heading "*Optional Redemption*," the Authority will select the maturities of the Series 2015 Bonds to be redeemed. If less than all of the Series 2015 Bonds of a maturity are to be redeemed (pursuant to an optional redemption), the Series 2015 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2015 Bonds in the name of the Authority which notice shall be given by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2015 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than 10 Business Days prior to the date such notice is given. If the Authority's obligation to redeem Series 2015 Bonds is subject to one or more conditions, then such notice must describe the conditions to such redemption. The failure of any owner of a Series 2015 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2015 Bond with respect to which notice has been given in accordance with the provisions of the Resolution. If directed in writing by an Authorized Officer of the Authority, the Trustee shall publish or cause to be published such notice in an Authorized Newspaper not less than 30 days nor more than 45 days prior to the redemption date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2015 Bonds.

If on the redemption date moneys for the redemption of the Series 2015 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption shall have been mailed, then interest on the Series 2015 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2015 Bonds will no longer be considered to be Outstanding under the Resolution and the Series 2015 Resolution.

Notice of Purchase in Lieu of Optional Redemption and its Effect

Notice of purchase in lieu of optional redemption of the Series 2015 Bonds will be given in the name of the Institution to the registered owners of the Series 2015 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Series 2015 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2015 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event Series 2015 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 2015 Bonds and such Series 2015 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

The Institution's obligation to purchase a Series 2015 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 2015 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 2015 Bonds to be purchased, the former registered owners of such Series 2015 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 2015 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 2015 Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2015 Bonds of a maturity are to be purchased, the Series 2015 Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2015 Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption, purchase in lieu of optional redemption and other provisions relating to the Series 2015 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 Bond certificate will be issued for each maturity of the Series 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also

available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and, together with Direct Participants, “Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015 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 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 2015 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 bond certificates representing their ownership interests in the Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 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 2015 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee,

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

DTC may discontinue providing its services as securities depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2015 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2015 Bond certificates will be printed and delivered to DTC.

The information herein concerning DTC and DTC's book-entry-only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the Direct Participants or the Indirect Participants.

Each person for whom a Participant acquires an interest in the Series 2015 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2015 BONDS.

So long as Cede & Co. is the registered owner of the Series 2015 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2015 Bonds (other than under the caption "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2015 Bonds.

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

For every transfer and exchange of Series 2015 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2015 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2015 Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Series 2015 Bond certificates will be delivered as described in the Resolution.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2015 BONDS UNDER THE RESOLUTION; (iii) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2015 BONDS; (iv) THE PAYMENT BY DTC OR ANY

DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2015 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2015 BONDS; OR (vi) ANY OTHER MATTER.

Principal, Sinking Fund Installments and Interest Requirements

The following table sets forth the amounts, after giving effect to the issuance of the Series 2015 Bonds, required to be paid by the Institution during each twelve month period ending December 31 of the years shown for the payment of debt service on the currently outstanding indebtedness of the Institution, the principal of and interest on the Series 2015 Bonds and the total debt service on all indebtedness of the Institution, including the Series 2015 Bonds.

Debt Service on Institution Indebtedness

12-Month Period Ending December 31,	Debt Service on Outstanding Indebtedness*	Series 2015 Bonds			Total Debt Service on Institution Indebtedness
		Principal Payments	Interest Payments	Total Debt Service	
2015	\$28,836,765				\$28,836,765
2016	20,732,942	\$12,620,000	\$21,119,060	\$33,739,060	54,472,002
2017	20,397,746	9,960,000	24,131,000	34,091,000	54,488,746
2018	20,293,982	10,250,000	23,832,200	34,082,200	54,376,182
2019	15,359,795	10,765,000	23,319,700	34,084,700	49,444,495
2020	14,639,382	11,305,000	22,781,450	34,086,450	48,725,832
2021	13,901,687	10,895,000	22,329,250	33,224,250	47,125,937
2022	14,573,113	11,430,000	21,784,500	33,214,500	47,787,613
2023	14,572,560	11,985,000	21,213,000	33,198,000	47,770,560
2024	14,573,790	12,620,000	20,613,750	33,233,750	47,807,540
2025		17,670,000	19,982,750	37,652,750	37,652,750
2026		18,515,000	19,099,250	37,614,250	37,614,250
2027		19,400,000	18,173,500	37,573,500	37,573,500
2028		20,330,000	17,203,500	37,533,500	37,533,500
2029		21,355,000	16,187,000	37,542,000	37,542,000
2030		22,105,000	15,119,250	37,224,250	37,224,250
2031		23,215,000	14,014,000	37,229,000	37,229,000
2032		24,380,000	12,853,250	37,233,250	37,233,250
2033		25,595,000	11,634,250	37,229,250	37,229,250
2034		26,875,000	10,354,500	37,229,500	37,229,500
2035		28,215,000	9,010,750	37,225,750	37,225,750
2036		29,625,000	7,600,000	37,225,000	37,225,000
2037		30,815,000	6,415,000	37,230,000	37,230,000
2038		24,855,000	4,994,250	29,849,250	29,849,250
2039		26,045,000	3,801,500	29,846,500	29,846,500
2040		7,610,000	2,549,250	10,159,250	10,159,250
2041		7,960,000	2,198,750	10,158,750	10,158,750
2042		8,355,000	1,800,750	10,155,750	10,155,750
2043		8,775,000	1,383,000	10,158,000	10,158,000
2044		9,210,000	944,250	10,154,250	10,154,250
2045		9,675,000	483,750	10,158,750	10,158,750

* Includes debt service on Series 1994A Bonds, Series 2010 Bonds, Series 2003 Bonds (fully amortized July 1, 2015) and amounts due on Authority tax-exempt leasing program loans and capitalized leases in the amount of \$23.015 million as of December 31, 2014. See "PART 4 – THE INSTITUTION – OPERATING INFORMATION – Long-Term Debt." Excludes debt service on the Refunded Bonds. See "PART 7 – THE REFUNDING PLAN."

PART 4 - THE INSTITUTION

GENERAL INFORMATION

History

The School was founded as a teaching and research institution and was granted its absolute charter in 1968. The School has historically been affiliated with The Mount Sinai Hospital (“Hospital”), a tertiary-care teaching hospital with 1,406 certified beds, and The Mount Sinai Medical Center, Inc. (the “Medical Center”), a not-for-profit corporation which coordinates the fund-raising activities of the School and the Hospital. The School conducts research and clinical programs and educates physicians, scientists and medical students for careers in the practice of medicine, the delivery of health care and the pursuit of medical research. The School grants M.D., Ph.D. and Masters Degrees.

On September 30, 2013, the School, the Hospital and the Medical Center consummated a transaction pursuant to which the Hospital, the Medical Center, Beth Israel Medical Center (“BIMC”), The St. Luke’s-Roosevelt Hospital Center (“SLR”), and the New York Eye and Ear Infirmary (“NYEEI” and together with the Hospital, SLR and BIMC, the “Health System Hospitals”) came together to create the Mount Sinai Health System, an integrated health care system and academic medical center. Two new tax-exempt, not-for-profit entities were formed: Mount Sinai Health System, Inc. (“MSHS”) and Mount Sinai Hospitals Group, Inc. (“MSHG”). MSHG was formed to be the member of the Hospital, BIMC, SLR, and NYEEI. MSHS was formed to be the member of MSHG, the School and Medical Center. The Medical Center also coordinates the fund-raising activities of BIMC, SLR and NYEEI.

Although the School is a separate legal entity from the Hospital, the two institutions are closely affiliated, sharing a four-block campus on the upper east side of Manhattan. The School relates closely to each of the Health System Hospitals, with the management structures of each and their respective Boards of Trustees functioning on an integrated basis. The relationship between the Health System Hospitals and the School permits these institutions to fulfill their commitment to providing high quality medical care, medical education and medical research. In furtherance of these close relationships, a faculty appointment at the School is required for appointment to the medical staff of a Health System Hospital, unless a waiver is granted.

NEITHER THE HOSPITAL, BIMC, SLR, NYEEI, THE MEDICAL CENTER, MSHS NOR MSHG IS OBLIGATED WITH RESPECT TO THE SERIES 2015 BONDS OR THE LOAN AGREEMENT, NOR IS THE SCHOOL OBLIGATED WITH RESPECT TO INDEBTEDNESS OF THE HOSPITAL, BIMC, SLR, NYEEI, THE MEDICAL CENTER, MSHS OR MSHG.

Governance

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

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

Trustee	Date Elected
May, Peter W. (Chairman)	10/16/89
Abrams, Bobbie	9/30/13
Black, Leon D.	10/17/94
Block, Thomas R.	2/23/76
Bronfman, Charles R.	11/18/02
Choudhri, M.D., Tanvir*	4/28/14
Crystal, James W.	1/18/82
Crystal, Jean C.	4/25/96
Davis, M.D., Bonnie	4/20/15
Dubin, M.D., Eva Andersson	2/24/14
Dubin, Glenn	11/15/04
Ehrenkranz, Joel S.	1/18/82
Einhorn, Steven G.	1/25/01
Flynn, James E.	9/30/13
Fogg, Blaine V.	12/21/87
Friedman, Richard A.	3/21/01
Friedman, Robert	10/15/01
Glimcher, Arne	9/25/00
Gogel, Donald J.	1/18/82
Goldstein, Jerome R.	7/10/00
Goldstein, Richard A.	4/2/01
Gribetz, Judah	4/20/15
Gross, Michael S.*	2/25/05
Gross, Vicki*	2/25/05
Grumbach, Jr., George J.	2/25/80
Hochberg, Steve	9/30/13
Icahn, Carl C.	9/25/00
Icahn, Gail Golden	11/26/12
Jones, Lewis P.	9/12/94
Karp, Brad	2/24/14
Katz, Ellen P.	11/24/86
Kempner, James L.	1/1/02
Kravis, Henry R.	6/22/81
Levin, John A.	2/25/80
Levinson, Patricia S.	4/20/81
Mercy Jr., Eugene	9/30/13
Mindich, Eric	10/7/98
Minikes, Michael	6/16/97
Netter, Alice	9/30/13
Nussbaum, Bernard W.	5/23/94
Pell, Lewis C.	5/25/05

Trustee	Date Elected
Picket, Joel I.	9/30/13
Price, Jennifer*	4/15/13
Ravitch, Richard	2/28/11
Rubin, Judith O.	4/19/93
Rubin, Hon. Robert E.	9/27/99
Ruttenberg, Eric M.	12/19/91
Saul, Andrew M.	9/24/79
Schwartz, Stephen L.	6/20/83
Stern, Daniel H.	6/22/05
Strauss, Thomas W.	12/19/83
Urfirer, Michael J.	3/27/00
Wright II, William H.	9/30/13
*ex officio	

Senior Management

The senior management of the School is as follows:

Kenneth L. Davis, M.D., President and Chief Executive Officer of MSHS, MSHG and the Medical Center, Chief Executive Officer of the Health System Hospitals and the School. Dr. Davis was appointed Dean and Chief Executive Officer of the School and Chief Executive Officer of the Hospital and the Medical Center in 2003. Under his leadership, Mount Sinai entered a new era of innovation in research, education, and clinical care, and has grown in both scope and ambition, accelerating the momentum of translational research, intensifying collaboration across all disciplines, and providing the impetus to reach new heights of excellence through closer integration of the research, clinical and educational dimensions of Mount Sinai's mission. In 2013, Dr. Davis was appointed President and Chief Executive Officer of MSHS and MSHG and Chief Executive Officer of the Health System Hospitals. Dr. Davis served as Dean of the School from January 2003 through March 2007.

Dr. Davis joined the faculty of the School in 1979, becoming Chairman of Psychiatry at James J. Peters VA Medical Center (Bronx) ("Bronx VA"). He spearheaded the School's research program in the biology of schizophrenia and was the first director of the Schizophrenia Biological Research Center at Bronx VA. In 1987, he was appointed Chairman of the School's Department of Psychiatry. Dr. Davis directed Mount Sinai's National Institute on Aging-supported Alzheimer's Disease Research Center from 1984 to 2002. His work focused on all aspects of experimental therapeutics, including animal models, assessment instruments, and design issues in drug testing, including numerous studies of potential therapeutic agents to slow the course of Alzheimer's disease. Dr. Davis also directed the National Institute of Mental Health-funded Silvio O. Conte Center on the Neurosciences of Mental Disorders.

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

Dennis S. Charney, M.D., Dean of the School; President, Academic Affairs, MSHS, MSHG and the Health System Hospitals. Dr. Charney is the Anne and Joel Ehrenkranz Dean of the School and President for Academic Affairs of the MSHS, MSHG, the Hospital and the Medical Center. Dr. Charney succeeded Dr. Davis as Dean of the School in March 2007. In 2013, Dr. Charney was appointed President, Academic Affairs, of MSHS, MSHG and the Health System Hospitals. From 2004-2006 he was the School's Dean for Research and Senior Vice President for Academic Affairs. From 2000-2004 Dr. Charney was the Chief of the Mood and Anxiety Disorder Research Program and the Experimental Therapeutics and Pathophysiology Branch at the National Institute of Mental Health ("NIMH"). Prior to his time at NIMH, Dr. Charney was Professor of Psychiatry and Deputy Chair of Academic and Scientific Affairs in the Department of Psychiatry at the Yale University School of Medicine.

Dr. Charney has introduced a culture of innovation at Mount Sinai by emphasizing translational research, intensifying collaboration across disciplines, and further integrating research, clinical, and educational initiatives. Organizational and programmatic changes to promote innovation for each of the School's missions include the creation of fourteen new translational research institutes, a redesign of the medical and graduate school curriculums, the expansion and establishment of outstanding clinical programs, and the opening of the multi-purpose Hess Center for Science and Medicine providing state of the art research and clinical space on the Mount Sinai campus.

Dr. Charney is a leading investigator in the neurobiology and treatment of mood and anxiety disorders. He has made fundamental contributions to the understanding of neural circuits, neurochemistry and functional neuroanatomy of the regulation of mood and anxiety and the psychobiological mechanisms of human resilience to stress. In addition, his research group has focused on the discovery of novel and more effective treatments for mood and anxiety disorders. Dr. Charney has served on numerous national committees in the service of advancing the understanding of the causes and treatment of psychiatric disorders. He has been a member of the Food and Drug Administration Psychopharmacologic Drug Advisory Committee. Dr. Charney has chaired the Board of Scientific Counselors for NIMH and the Scientific Advisory Board of the Anxiety Disorders Association of America, the Depression and Bipolar Support Alliance Scientific Advisory Board, and is past President of the American College of Neuropsychopharmacology. He is also a member of the Scientific Advisory Board of the National Association for Research in Schizophrenia and Affective Disorder and the National Alliance for the Mentally Ill.

Burton Drayer, M.D., FACR, FAAN, Chief Executive Officer, Mount Sinai Doctors Faculty Practice, Dean for Clinical Affairs of the School, Dr. Charles M and Marilyn Newman Professor and System Chairman of the Department of Radiology, Executive Vice President for Risk at MSHS. Dr. Drayer is a distinguished leader in health care delivery and medical education. He has played an integral role in the growth and success of what is now MSHS, since joining the institution in 1995. Dr. Drayer was recruited in 1995 as Chair of Radiology, and from 2003 to 2008, served as President of the Hospital and Executive Vice President for Hospital and Clinical Affairs of the Medical Center. Dr. Drayer draws upon his extensive knowledge and experience in neuroradiology and healthcare leadership to advance administrative and clinical progress, improve health outcomes, and foster patient-centered, compassionate care. He cultivates staff and faculty cooperation and collaboration throughout the entire MSHS.

After completing his internship and neurology residency at the University of Vermont, Dr. Drayer pursued a radiology residency and neuroradiology fellowship at the University of Pittsburgh Health Center. He was a faculty member and Director of Neuroradiology at Duke University from 1979 to 1986, and served as Director of Magnetic Resonance Imaging and Research at the Barrow Neurological Institute, before joining MSHS.

An internationally renowned neuroradiologist, Dr. Drayer is acclaimed for his research in using anatomic, physiologic, and functional imaging of the aging brain, brain iron, neurodegenerative disorders, brain infarction, Xenon CT regional cerebral blood flow, MR angiography, and multiple sclerosis. He is also an expert in the development of outpatient imaging facilities, imaging center design, and advanced imaging

equipment. He serves on the Board of Hospitals Insurance Company, Mount Sinai's malpractice liability insurance captive.

Throughout his career, Dr. Drayer has received many honors and awards. He has been a leader in the major national and international Radiology societies. A past President of the American Society of Neuroradiology (ASNR), he was awarded its Gold Medal in 2011, and was inaugural Chairman of the Research Foundation of the ASNR. In 2003, Dr. Drayer was elected to the Board of Directors of the Radiological Society of North America (RSNA), as Designate for Annual Meeting and Technology. He served on the RSNA Board of Directors from 2003 to 2011, and was Chairman of the Board in 2009, President-Elect in 2010, and President of the RSNA in 2011. Dr. Drayer currently serves on the Board of Chancellors of the American College of Radiology and the Board of Directors of the Academy of Radiology Research. He was recently named Chair-Elect of the Board of Trustees of the RSNA Research and Education Foundation. He is a fellow of the American Academy of Neurology and the American College of Radiology.

Beth Essig, Executive Vice President and General Counsel. Ms. Essig is Executive Vice President and General Counsel of the MSHS, MSHG, the Health System Hospitals, the School and the Medical Center. Ms. Essig served as Executive Vice President and General Counsel for Continuum Health Partners, Inc. from 2011 to 2013 and Deputy General Counsel for the Medical Center from 1979 to 2006. She was a partner in the law firm of Epstein Becker & Green from 2006 to 2011. An alumna of Barnard College of Columbia University, Ms. Essig earned her law degree from Columbia University School of Law, where she was a Stone Scholar. Ms. Essig has published articles and, in conjunction with Michael Macdonald and Kathryn Meyer, wrote *Health Care Law: A Practical Guide*, published by Matthew Bender. In addition, Ms. Essig chaired the New York State Bar Association's 2010 annual meeting on health care reform, has presented at meetings of the New York City and County Bar Associations and the Association of American Health Lawyers, and has been recognized as a leading health care law practitioner by New York Super Lawyers and *The Chambers Magazine*.

Donald Scanlon, Executive Vice President, System Chief Financial Officer and Chief of Corporate Services of MSHS, MSHG, the School, the Health System Hospitals and the Medical Center. Mr. Scanlon was appointed Executive Vice President and Chief Financial Officer of the Medical Center in December 2003. He was appointed to his positions with MSHS and MSHG in September 2013. In this capacity, the Chief Financial Officers of the Health System Hospitals and the School report to him. Previously, Mr. Scanlon had been Senior Vice President of Finance at New York Presbyterian Hospital & Health System. Mr. Scanlon was a Vice President of Finance at Mount Sinai for ten years before assuming his position at New York Presbyterian Hospital & Health System. Prior to that, Mr. Scanlon was an Audit Manager at Deloitte & Touche LLP where he focused on healthcare clients. Mr. Scanlon has been a Certified Public Accountant in New York State since 1987, and is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

Jeffrey Silberstein, Executive Vice President and Chief Administrative Officer of MSHS, MSHG, the School, the Health System Hospitals and the Medical Center. Mr. Silberstein was appointed Executive Vice President, Administrative Affairs and Chief Administrative Officer of the School, the Hospital and the Medical Center in April 2003 and Chief Operating Officer of the School in 2009. Mr. Silberstein joined the School in June 1997, as the Administrative Director of the Department of Psychiatry. In March 2001, he became the Vice-Chairman of the Department of Psychiatry. Prior to joining Mount Sinai, Mr. Silberstein served as a consultant on financial information systems and was a Vice President at Salomon Brothers Inc. He received his Master in Business Administration from New York University and his bachelor's degree from the University of Pittsburgh.

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

Mark Kostegan, FAHP, Senior Vice President for Development and Chief Development Officer of MSHS, MSHG, the School, the Health System Hospitals and the Medical Center. Mr. Kostegan was appointed Senior Vice President for Development, in February of 2008. In this capacity, he is responsible for all fund-raising efforts for the Hospital and the School, providing leadership to Mount Sinai's one billion dollar capital fundraising campaign, *The Campaign for Mount Sinai-Special Place - Special Time*. Mr. Kostegan has over thirty years of experience in medical fundraising. For seventeen of those years he worked in the Harvard University system, most recently as Vice President and Chief Development Officer for Brigham and Women's Hospital in Boston.

Scott Pittman, Senior Vice President, Chief Investment Officer of MSHS, MSHG, the School, the Health System Hospitals and the Medical Center. Mr. Pittman was appointed as the Chief Investment Officer in January 2009, to work with Mount Sinai's Investment Committee on the management of Mount Sinai's Investment Pool. Mr. Pittman works closely with the committee and senior administration to actively monitor its investment assets, manage portfolio risk, and source new investments whose risk/return characteristics match the operational and strategic needs of Mount Sinai. Prior to assuming his role at Mount Sinai, Mr. Pittman had been the Director of Investments at Baylor University where he invested and managed a large diverse portfolio of institutional assets. During this time, Mr. Pittman also served as a lead instructor in Baylor's Hankamer School of Business where he taught Baylor's graduate Portfolio Practicum course. Prior to joining Baylor's Office of Investments, Mr. Pittman taught corporate finance and microeconomics full time at Baylor's Hankamer School of Business.

Conflict of Interest

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

Principal Facilities and Properties

Icahn Medical Institute (1425 Madison Avenue) – The Icahn Medical Institute, which is owned by the School, opened in January 1997. Approximately 65% of the 17-story, 735,000 square foot building provides state-of-the art biomedical research space for the School's expanding research program. The School leases the remainder of the building to the Hospital for patient care, clinical laboratories and administrative support activities.

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

5 East 98th Street – This building is used by the School for administrative offices, faculty practice patient care activities, and related teaching and research functions. The School occupies 97% of the 131,000

square feet in 5 East 98th Street. The remaining 5% of the building is used by the Hospital for its administrative offices. This 16-story building is leased by the School from the Hospital.

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

Center for Advanced Medicine (5 East 102nd Street) – This 8-story 161,000 square foot building, owned by the School, was totally renovated and re-opened in May 2008. The School occupies approximately 42% of the building to provide a variety of educational and research programs. The School leases the remainder of the building to the Hospital for outpatient clinical units, outpatient physical rehabilitation units as well as imaging and diagnostic facilities for outpatients.

Jane B. Aron Hall (50 East 98th Street) – The Jane B. Aron Hall owned by MSMC Residential Realty LLC was completed in 1984. The 14-story 214,000 square foot dormitory building contains 613 units which are occupied by medical students, graduate students, nurses and residents.

Leon & Norma Hess Center for Science and Medicine (1474 Madison Avenue a/k/a 1470 Madison Avenue) – This 11-story 563,000 square foot multi-purpose building, owned by the School, opened in December 2012. The building supports School and Hospital programs, including clinical units, imaging and diagnostic facilities, research facilities (including a vivarium), administrative facilities, medical offices, medical education facilities, and a conference center.

Degree Granting Educational Programs

For the 2014-2015 academic year, the School enrolled 556 medical students and 518 graduate students. The total medical school enrollment has remained stable over the past five years. The School is highly selective and has a well-qualified student body. Of the Medical School's 5,092 first year applications received for the 2014-2015 school year, the School accepted 467 and enrolled 140 students, with 10 students enrolled in the combined M.D./Ph.D. program. Of the Graduate School's 1,073 first year applicants received for the 2014-2015 school year, the School accepted 480 and enrolled 156 students into its six programs. The graduate school enrollment has grown by 23 students over the past five years, principally from the addition of the master's program.

Candidates for admission to the School must submit letters of recommendation, interview with representatives of the Admissions Committee, take the Medical College Admissions Test ("MCAT") and report their undergraduate grade point average ("GPA"). For the 2014-2015 academic year, the School attracted medical students with an overall MCAT average of 36 and an undergraduate GPA of 3.75. Over the past five years, the MD program has averaged a 99% retention rate, 97% graduation rate, and a 99% placement rate as matched to residency, full time employment, or graduate degree program.

The School's graduate doctoral program received 440 applications for the 2014-2015 school year and enrolled 37 students. These candidates take the Graduate Record Examination ("GRE") and report their GPA. For the 2014-2015 academic year, the graduate doctoral program attracted graduate students with an overall GRE average of 318 in Quantitative and Verbal scores and a GPA of 3.52.

The School draws its students from all over the United States and Canada, with New York students representing approximately 45% of the student population. As a reflection of the high caliber of the student body, the six undergraduate programs which have provided the most enrollees to the School in the current academic year are: Dartmouth College, Columbia University, Harvard College, Stanford University, University of Pennsylvania, and Yale University.

The School charges tuition and fees to its students and has a robust financial aid, and a need-based and merit-based scholarship program, and need-based institutional loan program to assist students in meeting their tuition payments and living expenses.

Post Graduate Residency Education and Fellowship Program

The School's residency and fellowship program educates and trains 2,207 residents and fellows in 148 programs approved by the Accreditation Council for Graduate Medical Education. The School's post graduate residents and fellows are provided a broad educational experience, which is enhanced by the School's close relationship with the Hospital, BIMC, SLR, NYEEI, as well as Elmhurst and Queens Hospital Centers, which are staffed by faculty from the School. The program is further enhanced by the School's formation and leadership of the Icahn School of Medicine at Mount Sinai Consortium for Graduate Medical Education ("ISMMS Consortium"). Through the ISMMS Consortium, the School is affiliated with members of the Bronx-Lebanon Hospital Center, Bronx VA Medical Center, The Brooklyn Hospital Center, Elmhurst Hospital, Englewood Hospital Medical Center, Good Samaritan Hospital Medical Center, Institute of Family Health, Queens Hospital Center- Jamaica (Queens Health Network), and Richmond University Medical Center. Through the ISMMS Consortium, Mount Sinai residents and fellows are provided a broad educational experience and are afforded the opportunity to perform clinical rotations at the participating institutions with diverse patient bases and programmatic strengths.

Research

The School is a major health sciences research center. In addition to the School's traditional clinical and basic science departments found in all research centers of this kind, the School has created multidisciplinary interdepartmental research institutes and multidisciplinary centers, which are high in scientific diversity, depth and integration. The research centers include the Brookdale Center for Molecular Biology, the Dr. Arthur M. Fishberg Research Center for Neurobiology, and the Derald H. Ruttenberg Cancer Center. Fourteen research institutes led by Institute Directors encourage a highly focused research effort and intense and frequent interaction of faculty from diverse backgrounds. The resulting departmental institute matrix is designed to provide the best opportunities for scientific breakthroughs relevant to human disease. The fourteen institutes include:

Health & Disease-Related Institutes

- Brain
- Cancer
- Child Health & Development
- Cardiovascular
- Disease Prevention & Public Health
- Emergency Pathogens
- Experimental Therapeutics
- Genomics
- Immunology
- Medical Education
- Metabolism
- Personalized Medicine
- Stem Cell
- Translational & Molecular Imaging

Each of these departments, centers, and institutes perform significant research activities, which are supported by federal and other sources. Recently, the School received major research grants in many areas, including but not limited to the following:

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

For the fiscal years ended December 31, 2014 and 2013, the School received federal research awards from the National Institutes of Health exceeding \$294.3 million and \$253.4 million, respectively. Research expenses were \$381.0 million in 2014 and have grown at an average annual rate of approximately 3% over the past five years. The School’s financial policies include grant acceleration initiatives that encourage research faculty to spend their annual grant awards in a timely fashion according to the budget. The \$244.3 million backlog of unexpended grants grew \$32.0 million over 2013 and is stable as of December 31, 2014, despite very competitive Federal funding environment, from recruitment of new faculty with grants and the success of existing faculty in retaining grants and obtaining new grants.

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

Year Ended December 31	Federal		Non-Federal		Total	
	Amount	% of Tot	Amount	% of Tot	Amount	% of Tot
2014	\$300,196	78.8 %	\$80,791	21.2 %	\$380,987	100.0%
2013	277,744	78.5	75,919	21.5	353,663	100.0
2012	270,697	76.3	84,202	23.7	354,899	100.0
2011	296,441	81.3	68,151	18.7	364,592	100.0
2010	302,770	80.4	73,799	19.6	376,569	100.0

The School is optimistic about the research program given the current grant backlog, the success of new research recruits and the success of existing faculty in retaining existing grant awards and obtaining new awards. Other examples of this success include:

The School’s NIH funding ranked #17 among academic medical centers.

Based on a recent American Association of Academic Medical Center (AAMC) Survey, the School’s research productivity, as measured by direct research expenditures per principal investigator, \$615,185, and grant dollar’s per net assignable square foot, \$586, are among the highest for academic medical centers.

Commercialization of Discoveries and Innovations

Over the past five years, the School has invested additional resources in Mount Sinai Innovation Partners (MSIP) to ensure Mount Sinai discoveries and innovations are translated into health care products and services that benefit patients and society, and generate an equitable return. MSIP serves as an interface between Mount Sinai and commercial entities for research partnerships, technology licensing, and commercialization. As a result of MSIP's efforts to engage with faculty members to identify new commercial opportunities and develop and maintain effective relationships with commercial entities that promote research partnerships and licensing, the School's royalty and licensing income has become a significant source of annual revenue as show below (dollars in thousands):

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Royalty and licensing income	\$19,261	\$25,297	\$79,985*	\$42,190	\$46,046

* Includes onetime settlement of \$49,500

Clinical Programs; Faculty Practice Associates

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

The Faculty Practice Associates Plan (the "Plan" or "FPA") is in its 44th year of operation. Almost all physicians with full-time faculty appointments in the School who practice primarily at the Hospital participate in the Plan. In addition, voluntary members of the faculty are not eligible to participate. Rules and procedures governing participation in the Plan are based on recommendations of the Plan's Advisory Council, subject to approval of the Dean, and are applicable to all participants. As of December 31, 2014, there were 1,104 participants in the Plan.

FPA receipts growth has averaged 6.2% annually over the past five years and receipts were \$532 million in 2014. FPA receipts were ranked among the top five U.S. academic medical center faculty practices in receipts per doctor, at \$481,916 in 2014. The rapid growth results from new recruits, physician productivity and billing/collection improvement initiatives. The FPA experienced a 19% growth in outpatient visits and a 10% growth in ambulatory encounters from 2012 to 2014. The growth is due to the FPA opening new practices and developing clinical service lines. The uniform compensation plan model that was implemented across the 25 clinical departments sets limitations on salary supplementation and standards for clinical effort which is measured with effort reports and work relative value units (wRVUs). According to the compensation model, clinicians who do not meet these productivity standards risk having their supplements and base salaries reduced.

The success of faculty productivity initiatives is enhanced by the EPIC electronic medical record system and by more effective billing and collection activities. The centralized billing system has been enhanced with additional modules that scrub claims before they are submitted.

FPA finances are closely monitored with a monthly performance matrix that evaluates each clinical department's faculty practice performance on 15 separate financial, operational, quality and compliance indicators. On a regular basis, but not less than semi-annually, management reviews the performance matrix with the department chairmen. These meetings provide a forum to review and discuss the financial results for each department and an opportunity to share ideas for both continued financial improvement and corrective actions for departments that have financial issues.

During 2014, revenues from the Plan provided approximately 31% of the School’s total revenues. Funds generated by the School from these activities are used to support educational research and training programs of the School, including salaries of faculty and staff, along with administrative and other expenses. The Plan has grown both in the number of participants and in gross receipts over the past three years, which the School attributes to better capacity utilization and enhanced efficiencies. The following table illustrates this growth (dollars in thousands):

	December 31,		
	2012	2013	2014
Receipts	\$472,080	\$489,822	\$532,036
Total Faculty Members	982	1,043	1,104
Receipts / Faculty	\$481	\$470	\$482

On September 30, 2013, the School became part of the MSHS that also includes BIMC, SLR and NYEEI which collectively have significant Faculty Practice Operations. In 2014, 860 BI, SLR and NYEEI physicians generated \$324.7 million in faculty practice receipts. There are many opportunities to grow the revenue of these faculty practices by adopting the School’s financial and practice management policies and procedures. The School has been working to integrate these faculty practices as follows:

- Recruitment of new leadership (both clinical and administrative).
- The School’s internal control structure for financial accounting and reporting has been implemented.
- All physicians and scientists have received faculty appointments at the School of Medicine.
- Leadership for billing and collection operations have been centralized.
- The School’s physician productivity standards, call center, and compensation models are being implemented across MSHS.
- Faculty practice operations have been fully integrated for OB/GYN, Anesthesiology, Radiology, Emergency Medicine and Primary Care to take advantage of operation effectiveness and opportunities to increase patient revenue

There are significant opportunities to grow patient revenue through clinical integration, standardized payment models, and to improve physician and support staff productivity with established clinical standards and performance metrics across all practice sites. The School expects these patient revenue growth and productivity improvement opportunities to be realized as the faculty practice becomes more fully integrated over the next eight months.

The School has pledged revenues of the Plan to secure the School’s obligations under the Loan Agreement. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS - Security for the Series 2015 Bonds - Pledged Revenues.”

Professional Services Agreement

In addition to the clinical programs described above, the School provides professional services to Elmhurst Hospital Center and Queens Hospital Center, both located in Queens, New York, pursuant to an agreement with the New York City Health and Hospitals Corporation (“HHC Professional Services Agreement”). In accordance with the governing affiliation agreement, currently negotiated through June 30, 2015, HHC pays the School for its professional services on a cost based budget. For the years ended,

December 31, 2014 and 2013, the School received \$211.2 million and \$203.0 million, respectively. These long-standing affiliations provide an important enhancement of the School’s educational and clinical programs.

Philanthropy

The School’s strong financial performance and successful capital campaign associated with the Strategic Plan (See “PART 4 - THE INSTITUTION – GENERAL INFORMATION - The Strategic Plan and Factors Affecting Financial Performance”) have facilitated strong donor support. Unrestricted, temporarily restricted and permanently restricted donations increased from \$90.0 million in 2010 to \$96.0 million in 2014. The philanthropic support includes temporarily restricted support of more than \$319.0 million over the past five years for the President’s Fund, which the School is using to support faculty recruitment and retention initiatives.

The \$1 billion Medical Center capital campaign to support strategic plan growth initiatives was successfully completed in 2013 with more than \$1.37 billion of cash and pledges raised as of December 2013. Significant campaign gifts include \$150 million from Carl Icahn to name the School and to support Genomics research and \$40 million from Meryl and James Tisch to name the Cancer Institute.

Although the Capital Campaign has been completed, philanthropy was strong in 2014 with \$96.5 million of gifts and pledges received. The development office projects more than \$380 million of likely and emerging philanthropy opportunities to support School education, research and clinical initiatives between 2015 – 2018.

The following table summarizes unrestricted and restricted gifts and pledges over the past five years (dollars in thousands):

<u>Year Ended December 31,</u>	<u>Unrestricted Contributions</u>	<u>Temporarily Restricted Contributions</u>	<u>Permanently Restricted Contributions</u>	<u>Total Contributions</u>
2014	\$44,998	\$35,848	\$15,637	\$96,483
2013	61,751	55,934	15,964	133,649
2012	36,363	63,150	12,303	111,816
2011	46,496	41,898	10,009	98,403
2010	39,898	30,464	19,755	90,117

Faculty

As of December 31, 2014, the School had 2,390 full-time faculty members consisting of both M.D.s and Ph.D.s, of which 2,156 are in the clinical sciences department and 234 are in the basic sciences department. In addition, the School currently has approximately 400 salaried, part-time faculty members who have admitting privileges at the Hospital and 1,800 voluntary faculty members.

The size of the faculty provides the School with a favorable faculty to student ratio of 5.0 faculty members for every medical student and 5.4 faculty members for every graduate student.

The following chart shows various levels of the School’s employed faculty for the fall of the last five years:

Fiscal Year	Full-time Faculty	Part-time Faculty	Total Faculty	Percent of Total Faculty Tenured
2014 – 2015	2,390	400	2,790	9.6%
2013 – 2014	1,991	362	2,353	11.2
2012 – 2013	1,968	340	2,308	11.0
2011 – 2012	1,850	329	2,179	11.3
2010 – 2011	1,843	325	2,168	11.3

Employees

Most employees of the School are not represented by a union. The major exceptions are: (i) a group of 349 physicians, 103 physician assistants and 176 technical staff and therapists who provide professional services at Elmhurst Hospital Center and Queens Hospital Center and (ii) 103 support staff who work on the main School campus in Manhattan (less than 5% of the support staff on the School’s main campus). The 349 physicians are represented by the Doctor’s Council (pursuant to a Collective Bargaining Agreement that was ratified by the Doctor’s Council on July 1, 2012 and expires on November 23, 2019, and the 103 physician assistants and 176 technical staff and therapists are represented by 1199SEIU (pursuant to a Collective Bargaining Agreement that expires on September 30, 2018). The 103 support staff on the main campus are represented by two different unions: 1199SEIU and the New York State Nurses Association (NYSNA). The School has a positive relationship with each of these collective bargaining agents.

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

The School offers all non-bargaining unit employees the opportunity to participate in a Tax Sheltered Annuity 403(b) plan. Currently, all such employees are eligible to contribute to the plan upon date of hire. Additionally, the School contributes to the 403(b) accounts for faculty and staff in varying amounts based upon the terms of the plan. The plan is funded monthly. The School provides health insurance, life insurance, and prescription benefits to certain of its retired employees who, as of January 1, 2004, satisfied certain criteria related to length of service at the School and are at least 62 years-old at retirement. The plan contains cost-sharing features such as deductibles and coinsurance. To date, the School has made all required contributions to all applicable pension plans and there are no funding deficiencies.

The Strategic Plan and Factors Affecting Financial Performance

Strategic Plan

The School’s ability to attract and retain outstanding research and clinical faculty has been enhanced by its ten year Strategic Plan, which was implemented in 2006. The Strategic Plan emphasizes “focused growth in translational research,” and is designed to facilitate “therapeutic breakthroughs.” According to the translational model, the School has enhanced its biomedical research by building research teams and 14 research institutes for 21st century science that are characterized by (i) moderate size, (ii) a multidisciplinary approach, and (iii) intense and frequent interaction with peers. The School’s faculty has embraced the translational science vision for the School’s future as reflected in the strong faculty retention and recruitment results.

The goals of the 10-year Strategic Plan to identify and recruit research leaders who share the School's strategic vision and goals have been largely realized. A total of 324 world class research and clinical faculty have been recruited, substantial capital investments have been made in existing and new research and clinical facilities including the construction of the Hess Center for Science and Medicine, which opened in December 2012. The recruits are supported by operations, grants and philanthropy from the successful capital campaign. The research of the new recruits focuses on integrated clinical research across the life span, specific diseases, and research opportunities appropriate to the available patient population.

The research faculty benefit from a total of 566,554 square feet of research space on the School's campus including recently renovated research space both in the Atran Berg and Center for Advanced Medicine buildings as well as the new Hess Center for Science and Medicine building. The School's research program continues to grow rapidly requiring additional investments in existing research facilities. The Series 2015 Bonds will provide approximately \$50 million of funds to renovate research laboratories, research support service facilities and building infrastructure in approximately 57,200 square feet of research space in the 40 year old Annenberg building (as well as funding for enabling projects in the Icahn Medical Institute).

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

Annenberg and Icahn Medical Institute Renovations

The Annenberg and Icahn Medical Institute Renovations, totaling \$67 million comprised of \$50.3 million of debt and \$16.7 million of equity, will support research laboratory, building infrastructure and support services in School renovation projects in the Annenberg building and enabling projects in the Icahn Medical Institute. The Annenberg renovations are necessary to support the success of research investigators in the Annenberg building in obtaining federal, nonfederal, and industry research grants. The additional research investments in Annenberg focuses on: (i) Basic Science leading to therapeutic discoveries particularly in Pharmacology and Microbiology, (ii) an emphasis on discovery leading to valuable intellectual property and industry partnerships and necessary investments in research infrastructure including the Center for Comparative Medicine services and research cold rooms.

Capital Project Funding

The School continues to invest in new and existing facilities to support significant growth. All capital projects are critically reviewed to ensure they add value to education, research and patient care programs and those projects that support new recruits and programmatic initiatives include business plans that evaluate return on investment. The School's age of plant, which measures the need for reinvestment in physical plant and infrastructure is 8.29 years. Over the past five years, the School has expended nearly \$600 million on capital renovations in support of Strategic Plan initiatives and to help enable the construction of CSM. These capital projects were constructed with School funds and bond proceeds. The most significant projects include:

- *5 East 98th Street* – The School has conducted more than \$14.4 million of renovations to upgrade the lobby, elevators, and clinical areas for the Faculty Practice Group.
- *The Atran-Berg Laboratory* – The School has conducted more than \$5.6 million of renovations to existing research and clinical space for the School's rapidly growing programs.
- *The Annenberg Building* – The School has conducted more than \$48.6 million of renovations to upgrade research, education and administrative space in this 40 year-old building over the past five years. The Federal ARRA Stimulus grant programs provided \$10 million to replace HVAC systems and renovate laboratory space on the 23rd Floor of the Annenberg Building. As a result

of significant growth, additional renovations, described above and funded in part from a portion of the Series 2015 Bonds, are necessary.

- *Icahn Medical Institute* – The School has conducted more than \$9.2 million of renovations to upgrade research and lab space, including a portion of the Series 2015 Project funded in part from a portion of the Series 2015 Bonds.
- *The Hess Center for Science and Medicine* – The School borrowed \$369 million of tax-exempt debt and contributed \$218.8 million of equity to construct a new translational research facility to support more than 100 new basic science research faculty members opened in December 2012.
- The School has also invested more than \$26 million in building infrastructure projects to maintain the safety and environmental quality of School facilities to the highest standards.
- There have been more than \$100 million of new equipment purchases to support research and clinical programs.

CARTS Budget Model/Financial Oversight

The School uses a formula-based CARTS budget model (C – Clinical, A – Administrative, R – Research, T – Teaching, S – Strategic). The CARTS model allocates departmental funding based upon performance. The School enhanced the CARTS model with improved financial reports that evaluate the performance of each department chairman according to financial, operational, quality and compliance indicators. A Financial Improvement Committee, chaired by the Chief Financial Officer and includes the School's Dean, President of the Faculty Practice (FPA), Chief Operating Officer of the FPA and Deans for Basic and Clinical Research, oversees corrective actions and ensures they are implemented in a timely fashion when either basic science or clinical departments experience financial problems. All capital projects are subject to a critical review to ensure they add value to education, research and patient care initiatives. Prudent business plans are required for all new recruitments and programmatic initiatives.

Measures of Success

Recent measures of success resulting largely from Strategic Plan initiatives include:

- The School's *U.S. News & World Report* ranking is currently #18.
- The School's NIH ranking is #17 (based on publicly available data).
- The School ranks #4 in research dollars/principal investigator, \$600,000 and #12 in sponsored program expenditures/net assignable square feet, \$578/sqft.
- Best Doctors in New York (as published by *New York Magazine*)
 - Mount Sinai's physicians represent 22% of the 1,198 doctors in 2014
 - 263 physicians in 59 specialties (includes voluntaries, affiliates, and non-FPA)
- 5,092 applications for entering Medical Education class of 140
- 2009 winner of AAMC Spencer Foreman Community Service Award

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

Accreditation

Many of the degree-granting programs are periodically evaluated by an accrediting organization in their field. All provide opportunities for self-assessment and improvement, confirm that we meet all standards set by all agencies, and provide valuable feedback to the program s. The accrediting bodies include:

- Liaison Committee on Medicinal Education (LCME) – As the accrediting body for the M.D. program, the LCME conducts a broad review that encompasses curriculum, resources and assessment methods, and provides an important source of feedback on the program. In 2012 the LCME granted a full ten-year reaccreditation to the M.D. program.
- Council on Education in Public Health (CEPH) – CEPH conducts regular annual reviews of the Graduate Program in Public Health and a full accreditation review every seven years. The program was fully reaccredited through December 2015. The next full review will take place in 2015, and the School expects to receive full reaccreditation through December 2022.
- American Council for Genetic Counseling (ACGC) – The program was granted full reaccreditation in 2008 for a period of six years, and each year during this period the program submits an annual report to assure continued compliance with standards. The next reaccreditation self-study is planned for September 2015.

The School is a member of the Association of American Medical Colleges and the Associated Medical Schools of New York State. The School is also accredited by the Middle States Commission on Higher Education (“Middle States”).

Affiliations

The School also has affiliation agreements with a number of other healthcare institutions. These affiliations enrich the educational, clinical and research programs of the School (see “PART 4 - THE INSTITUTION – GENERAL INFORMATION - Post Graduate Residency Education and Fellowship Program”). The major affiliations include:

- Bronx-Lebanon Hospital Center, a teaching hospital located in the Bronx;
- Bronx VA Medical Center, a tertiary care center for veterans in metropolitan New York, which also includes major research facilities;
- The Brooklyn Hospital Center, a community hospital located in close proximity to Brooklyn Heights;
- Elmhurst Hospital, a 593-bed hospital center that is part of New York City Health and Hospitals Corporation (the School provides professional services at Elmhurst Hospital Center pursuant to the HHC Professional Services Agreement (see “Professional Services Agreement” above));
- Englewood Hospital Medical Center, a 520-bed teaching hospital and the largest voluntary acute care facility in Bergen County, New Jersey;
- Good Samaritan Hospital Medical Center, a 537-bed teaching hospital in West Islip on Long Island;
- Institute for Family Health, a federally qualified health center in East Harlem;

- Queens Hospital Center – Jamaica (Queens Health Network), a major provider of healthcare services to the Southeast Queens community that is part of the New York City Health and Hospitals Corporation (the School provides the professional services at Queens Hospital Center pursuant to the HHC Professional Services Agreement (see “Professional Services Agreement” above)); and
- Richmond University Medical Center, a 510-bed teaching hospital on Staten Island.

(Remainder of this page intentionally left blank)

OPERATING INFORMATION

Financial Discussion

The following selected financial data for the years ended December 31, 2014, 2013 and 2012 are derived from the consolidated financial statements of the School (See “Appendix B - Consolidated Financial Statements of Icahn School of Medicine at Mount Sinai Years Ended December 31, 2014 and 2013 and for the Years Ended December 31, 2013 and 2012 with Reports of Independent Auditors”). The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein (dollars in thousands):

	December 31		
	2014	2013	2012
Changes in unrestricted net assets:			
Revenues, gains, support and reclassifications:			
Net patient care services	\$ 671,358	\$ 598,069	\$ 580,552
New York City Health and Hospitals Corporation	211,232	203,031	202,378
Private gifts, grants, and contracts	125,789	137,670	120,565
Federal grants and contracts	300,196	277,744	270,697
Investment income allocated to operations	34,360	33,482	31,506
Tuition and fees	28,904	27,305	26,377
Royalty revenue	46,046	42,190	79,985
Other support	56,528	50,239	30,337
The Mount Sinai Hospital CARTS transfer	193,008	177,588	153,883
Other related hospitals CARTS transfer	<u>3,454</u>	-	-
	1,670,875	1,547,318	1,496,280
Net assets released from restrictions	<u>63,388</u>	<u>45,803</u>	<u>5,416</u>
Total revenues, gains, support and reclassifications	<u>1,734,263</u>	<u>1,593,121</u>	<u>1,501,696</u>
Expenses:			
Program Services:			
Patient care services	879,963	806,102	749,095
Sponsored research	274,905	250,925	260,258
Basic and clinical sciences	282,703	251,862	239,482
Scholarships	<u>3,885</u>	<u>3,354</u>	<u>3,170</u>
Total program services	1,441,456	1,312,243	1,252,005
Support Services (management and general):			
General administration and support services	<u>292,676</u>	<u>280,761</u>	<u>240,736</u>
Total expenses	<u>1,734,132</u>	<u>1,593,004</u>	<u>1,492,741</u>
Increase in unrestricted net assets before non-operating items	<u>131</u>	<u>117</u>	<u>8,955</u>
Non-operating items:			
Investment return earned (less) greater than amounts allocated to operations	(502)	38,928	21,255
Equity income (loss) from related-party	1,519	(8,106)	-
Distributions from related parties	-	-	147
Increase in unrestricted net assets	<u>1,148</u>	<u>30,939</u>	<u>30,357</u>
Changes in temporarily restricted net assets:			
Private gifts, grants and contracts	35,848	55,934	63,150
Investment income allocated to operations	5,045	5,425	5,153
The Mount Sinai Hospital CARTS transfer	659	783	646
Net assets released from restrictions	(63,388)	(45,803)	(5,416)
Investment return earned greater than amounts allocated to operations	<u>757</u>	<u>25,781</u>	<u>13,084</u>
Total changes in temporarily restricted net assets	<u>(21,079)</u>	<u>42,120</u>	<u>76,617</u>
Changes in permanently restricted net assets:			
Private gifts	<u>15,637</u>	<u>15,964</u>	<u>12,303</u>
Total changes in permanently restricted net assets	<u>15,637</u>	<u>15,964</u>	<u>12,303</u>
(Decrease)/increase in net assets	(4,294)	89,023	119,277
Net assets at beginning of year	<u>1,129,257</u>	<u>1,040,235</u>	<u>920,957</u>
Net assets at end of year	<u>\$ 1,124,963</u>	<u>\$ 1,129,257</u>	<u>\$ 1,040,234</u>

Management's Discussion of Financial Performance

This section includes a discussion of financial performance for the years ended December 31, 2014, 2013 and 2012 as well as the significant financial initiatives that resulted in financial improvements and the strategic plan implementation during the 2012-2014 period.

Years Ended December 31, 2014 and 2013

For the year ended December 31, 2014, the School recorded a decrease in total net assets of (\$4.3) million compared to an increase in total net assets of \$89.0 million for the year ended December 31, 2013. For 2014, the School's unrestricted operating results, including the 5% endowment spending rate (described below in more detail under the heading "Endowments and Investments"), reflect an increase in unrestricted net assets of \$0.1 million. However, when including charges to unrestricted endowment funds to meet spend rate requirements of (\$0.5) million and equity earnings income from related party of \$1.5 million, the total change in unrestricted net assets was \$1.1 million. The total increase in net assets for the year ended December 31, 2014 consists of a \$1.1 million increase in unrestricted net assets, a (\$21.1) million decrease in temporarily restricted net assets comprised of \$35.8 million of gifts, and investment gains of \$5.0 million, offset by net assets released from restrictions (\$63.4) million, and a \$15.6 million increase in permanently restricted net assets primarily from endowment gifts.

For the year ended December 31, 2014, the School recorded total revenues, gains, support and reclassifications from unrestricted and restricted sources of \$1.728 billion, consisting of: 39% from patient care services (principally the School's faculty practice); 22% from research activities, including federal and nonfederal direct revenue and facilities and administrative recovery; 12% from the HHC Professional Services Agreement; 11% from the Hospital and other related Hospitals support; 6% from philanthropic sources; 2% from investment income allocated to operations; 2% from tuition and fees; and 6% from other sources. As compared to 2013, total revenues, gains, support and reclassifications increased by \$102.6 million, where increases in patient care services of \$73.3 million, federal grants and contracts of \$22.5 million, The Mount Sinai Hospital CARTS support of \$15.3 million, other support of \$6.3 million, HHC professional services agreement revenue of \$8.2 million, investment income allocated to operations of \$0.5 million, royalty revenue of \$3.9 million and tuition of \$1.6 million, were offset by decrease in private gifts, grants and contracts of (\$32.3) million.

Expenses for 2014 totaled \$1.734 billion consisting of: 51% in patient care services; 16% in sponsored research; 16% in basic and clinical sciences and scholarships; and 17% in general administration and support services and other charges. As compared with 2013, total expenses increased by \$141.1 million or 9%. The increases in expenses related to patient care services of \$73.9 million and basic and clinical sciences department and scholarships of \$31.4 million were largely the result of growth in clinical programs, principally the Faculty Practice Association due to addition of other member hospitals and growth in departmental activities related to the Strategic Plan to support expansion in education, research and patient care programs. Research expenses increased by \$24.0 million as a result of the success of existing research faculty in obtaining new grants and from the grants of new research faculty recruited as part of the Strategic Plan. Research expenses are funded primarily by reimbursement from the federal and nonfederal sponsors of the research, which is supplemented by institutional sources. General administration and support services expenses increased by \$11.9 million as the School provided more services and facilities to support education, research and clinical programs according to the Strategic Plan.

Years Ended December 31, 2013 and 2012

For the year ended December 31, 2013, the School recorded an increase in total net assets of \$89.0 million compared to an increase in total net assets of \$119.3 million for the year ended December 31, 2012. For 2013, the School's unrestricted operating results, including the 5% endowment spending rate, reflect an increase in unrestricted net assets of \$0.1 million. When including gains to unrestricted endowment

funds to meet spend rate requirements of \$38.9 million and equity loss allocated from related party of (\$8.1) million, the total change in unrestricted net assets was \$30.9 million. The total increase in net assets for the year ended December 31, 2013, consists of a \$30.9 million increase in unrestricted net assets, a \$42.1 million increase in temporarily restricted net assets comprised of \$55.9 million of gifts, The Mount Sinai Hospital Carts transfers of \$0.8 million and investment gains of \$31.2 million, offset by net assets released from restrictions (\$45.8) million, and a \$16.0 million increase in permanently restricted net assets primarily from endowment gifts.

For the year ended December 31, 2013, the School recorded total revenues, gains, support and reclassifications from unrestricted and restricted sources of \$1.625 billion consisting of: 37% from patient care services (principally the School's faculty practice); 21% from research activities, including federal and nonfederal direct revenue and facilities and administrative recovery; 13% from the HHC Professional Services Agreement; 11% from Hospital support; 8% from philanthropic sources; 2% from tuition and fees; and 8% from other sources. As compared to 2012, total revenues, gains, support and reclassifications increased by \$47.9 million, where increases in patient care services of \$17.5 million, federal grants and contracts of \$7.0 million, HHC professional services agreement revenue of \$0.6 million, The Mount Sinai Hospital CARTS support of \$23.8 million, private gifts, grants and contracts of \$13.6 million, investment income allocated to operations of \$2.2 million, tuition of \$0.9 million and other revenue of \$19.9 million were offset by decrease in royalty revenue of (\$37.8) million.

Expenses for 2013 totaled \$1.593 billion consisting of: 51% in patient care services; 16% in sponsored research; 15% in basic and clinical sciences and scholarships; and 18% in general administration and support services and other charges. As compared with 2012, total expenses increased by \$100.3 million or 7%. The increases in expenses related to patient care services of \$57.0 million and basic and clinical sciences department and scholarships of \$12.6 million were largely the result of growth in clinical programs, principally the Faculty Practice Association and growth in departmental activities related to the Strategic Plan to support expansion in education, research and patient care programs. Research expenses have decreased by (\$9.3) million as a result of the decrease in obtaining new grants. Research expenses are funded primarily by reimbursement from the federal and nonfederal sponsors of the research, which is supplemented by institutional sources. General administration and support services expenses increased by \$40.0 million as the School provided more services and facilities to support education, research and clinical programs according to the Strategic Plan.

Endowment and Investments

At December 31, 2014, the market value of the School's investments, including endowment funds, totaled approximately \$738.4 million. At December 31, 2014, approximately \$362.6 million was classified as permanently restricted and \$215.5 million was classified as temporarily restricted in accordance with U.S. generally accepted accounting principles. The remaining \$139.3 million was classified as unrestricted net assets.

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

The amount available for endowment spending is currently determined annually by applying a rate (currently 5%) to the average market value of endowment assets for the preceding three calendar years. This policy is intended to utilize the School's endowment income to sustain growth of the endowment while providing funds for operational expenses. The Board of Trustees approves the endowment spending rate policy annually.

The School complies with the requirements of the New York Prudent Management of Institutional Funds Act (“NYPMIFA”).

Investment Pool Oversight, Valuation and Liquidity

The Investment Committee of the Board of Trustees establishes the investment policy and guidelines and is responsible for supervising the investment of the endowment and similar funds. There are a minimum of four investment committee meetings per year. Day to day oversight and monitoring of the investment portfolio has been enhanced with the hiring of a Chief Investment Officer, Scott Pittman, in January 2009. The Investment Committee membership includes:

Jeff T. Blau
Joel S. Ehrenkranz, Esq.
Steven G. Einhorn – Vice Chairman
James E Flynn
Richard A. Friedman
David S. Gottesman
Peter W. May
Eric Mindich
Michael Minikes
Eric M. Ruttenberg
Daniel Stern
Thomas W. Strauss – Chairman

The majority of the School’s investments are in a pooled investment portfolio maintained for the benefit of the Hospital, the Medical Center, BIMC, SLR, NYEEI, and the School, which totaled \$1.5 billion at December 31, 2014. In 2014, custody of investments held in the investment pool was transferred to the Medical Center and the Medical Center was named as the owner of record of each of the investments; in prior years, the investment pool assets were held in custody of the various pool participants. Consequently, in 2014, the Medical Center records all of the pooled investments in its financial statements, with a corresponding liability due to each of the participants in the investment pool for their respective share of the pooled investments; the pool participants report their respective share of the investment pool as “pooled investments”.

Investments consist of cash and cash equivalents, U.S. government and corporate bonds, money market funds, equity securities and interests in alternative investments. Debt securities and equity securities with readily determinable values are carried at fair value as determined based on independent published sources (quoted market prices). Investment income is allocated to investment pool participants using the market value unit method. The annual spending rate for pooled funds is approved by the Board of Trustees annually and is based on total return. Realized gains and losses from the sale of securities are computed using the average cost method. The School also recognizes investment income (realized and unrealized) pertaining to investments held by the Medical Center on its behalf.

The value of the investment pool is determined on a monthly basis and a comprehensive monthly investment report is provided to the Investment Committee. The School retains established investment managers, with whom the Chief Investment Officer speaks on a regularly basis, to manage its funds. No individual manager is responsible for more than 6.0% of the total investment pool. The investments are diversified with less than 13% of the portfolio allocated to private investments (such as private equity, illiquid credit and real assets). Although, the allocation to hedge funds is significant (between 65-70%), the individual funds are broadly diversified and most have monthly, quarterly, or annual withdrawal terms. The total unfunded commitments are only 4.9% of the pool. There has never been an instance where the full market value as reported in the monthly investment report was not received when an investment was liquidated from the pool. As of December 31, 2014, 21% of the investment pool is available within one month, 44% within four months and 82% within 12 months. The remaining 18% of the investment pool is invested in assets with greater than 12 month liquidity.

The School portion of the investment pool has grown by \$274.2 million over the course of the past seven years. Mount Sinai's investment portfolio has returned 4.83% and 15.29% compared the S&P 500 of 13.69% and 32.41% in 2014 and 2013, respectively. Cambridge Associates LLC provides an independent review of the portfolio's performance and a peer comparison. From 2008 to 2014, the Mount Sinai portfolio realized a cumulative return of 38.6%, for an annualized return of 4.8%. These returns exceed Cambridge Associates (CA) median performance for Medical institutions, for institutions ranging from \$500 million to \$1.5 billion in assets, and for all CA institutional clients with lower volatility. When reviewed among peers over a trailing 1 year, 2 year, 3 year, 5 year, and 7 year basis, the portfolio ranked in the top quartile for the 7 year period on an absolute performance basis and in the top quartile for all periods reviewed on a risk adjusted basis as measured by the Sharpe Ratio.

Cash requirements, principally the 5% endowment spending rate funds that support operations, are budgeted annually and updated monthly. The time restrictions on investment withdrawals are monitored on a monthly basis. As a result, cash in excess of immediate 5% endowment spending rate needs is readily available.

The following table shows the value of the School's allocation of pooled investments and other investments at carrying value at the end of each of the past three years (dollars in thousands):

	December 31,		
	2012	2013	2014
Pooled investments	\$ 630,518	\$ 691,221	\$ 717,372
Non-pooled investments (marketable and nonmarketable, net)	30,172	27,559	20,987
	<u>\$ 660,690</u>	<u>\$ 718,780</u>	<u>\$ 738,359</u>

The following table shows the value of the composition of Mount Sinai's pooled investment holdings at carrying value at the end of each of the past three years (dollars in thousands):

	December 31,		
	2012	2013	2014
Cash and cash equivalents	\$ 11,060	\$ 29,779	\$ 54,166
Fixed income :			
Mutual funds	25,596	17,949	29,562
Equities:			
U.S. equities	58,530	87,704	102,272
Global equities	-	33,265	40,249
Non-U.S. equities	29,742	93,259	97,076
Alternative Investments:			
Hedge funds:			
Long-only equity	59,800	108,785	160,584
Hedged equity	175,656	201,144	208,936
Long/short credit	62,807	42,541	45,909
Multi-strategy	135,181	153,681	165,938
Open mandate	242,331	287,546	300,245
Macro	128,287	124,308	114,973
Real assets	33,291	-	-
Private equity :			
Equity	53,249	43,204	32,735
Credit/distressed	123,843	137,594	123,673
Real assets	27,375	22,768	33,515
Total	<u>\$ 1,166,748</u>	<u>\$ 1,383,527</u>	<u>\$ 1,509,833</u>

Composition of Investment Pool

	December 31,		
	2012	2013	2014
Cash	1%	2%	4%
Domestic equity	5%	6%	7%
Global equity	-	3%	3%
International equity	2%	7%	6%
Fixed income	2%	1%	2%
Hedge funds	72%	66%	66%
Private investments	18%	15%	12%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Property, Plant and Equipment

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

	December 31,		
	2012	2013	2014
Land	\$ 11,012	\$ 11,012	\$ 11,012
Buildings and improvements	502,522	1,005,791	1,040,975
Furniture, fixtures and equipment	273,884	298,252	333,592
Leasehold interest and improvements	171,991	171,991	171,991
Deferred financing charges, net	<u>11,676</u>	<u>10,593</u>	<u>9,592</u>
	\$ 971,085	\$1,497,639	\$1,567,162
Less accumulated depreciation and amortization	<u>(518,544)</u>	<u>(587,749)</u>	<u>(668,354)</u>
	\$ 452,541	\$ 909,890	\$ 898,808
Capital projects in progress	<u>462,889</u>	<u>39,759</u>	<u>58,210</u>
Total	<u>\$ 915,430</u>	<u>\$ 949,649</u>	<u>\$ 957,018</u>

Long-Term Debt

Long-term debt of the School at December 31, 2014, consisted of the following (dollars in thousands):

- The Authority's Mount Sinai School of Medicine of New York University Insured Revenue Bonds, Series 2010A payable (including unamortized original issue discount of \$3,668); maturing through 2021 with interest rates from 4.00% to 5.00% per annum.	\$71,613
- The Authority's Mount Sinai School of Medicine of New York University Insured Revenue Bonds, Series 2009 payable (including unamortized original issue discount of \$3,287); maturing through 2039 with interest rates from 4.00% to 5.50% per annum.	\$366,628
- The Authority's Mount Sinai School of Medicine of New York University Insured Revenue Bonds, Series 2007 payable (including unamortized original issue premium of \$3,219); maturing through 2037 with interest rates from 4.00% to 5.00% per annum.	118,489
- The Authority's Mount Sinai School of Medicine of New York University Insured Revenue Bonds, Series 2003 payable (including unamortized original issue premium of \$48); maturing through July 1, 2015 with interest rates varying from 3.25% to 5.25% per annum.	7,873

- The Authority's Mount Sinai School of Medicine Insured Revenue Bonds, Series 1994A payable (net of unamortized original issue discount of \$199); maturing through 2024 with interest rates varying from 5.00% to 5.15% per annum.	39,376
- Authority tax-exempt leasing program loans due in monthly installments of \$397, with interest rate of 1.135% December 2018.	18,615
- Other capital leases, monthly installments of \$73 through 2019.	4,400
	<u>\$626,994</u>

As of December 31, 2014, all debt service payments are current and outstanding debt is \$627 million. All School long term debt is fixed rate with an average interest rate of approximately 5%. Neither the School nor the Hospital is a party to any interest rate swap agreements.

Professional and General Liability Insurance Program

The School 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. The School also carries commercial general liability insurance with limits of \$1 million per occurrence/\$2 million aggregate for property damage and bodily injury; vehicle liability and physical damage insurance covering its leased and owned vehicles; commercial crime and fidelity insurance; director's and officer's liability insurance; and miscellaneous errors and omissions coverage. The School also carries excess umbrella liability policies with a combined limit of \$50 million per occurrence/aggregate above the general liability, automobile liability and employers liability policies. In addition to these policies, the School maintains statutory workers' compensation and disability insurance as required by law. The School also maintains substantial professional liability insurance which currently consists of occurrence-based commercial insurance. In the opinion of the management of the School, based on prior experience, their potential malpractice losses are fully and adequately insured. To date, no loss has been sustained which has exceeded the School's insurance coverage.

Litigation

Professional and general liability claims have been asserted against the School by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by counsel to the School 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 the School, based on prior experience, that adequate insurance is maintained to provide for all significant professional liability losses which may arise and that the eventual liability from general liability claims, if any, against which management of the School believes it has established adequate reserves, will not have a material adverse effect on the financial position of the School or on its ability to make required debt service payments. The School has no other litigation or proceedings and, to its knowledge, none have been threatened against the School which would materially adversely affect its operations or financial condition.

The Mount Sinai Hospital

As described in "PART 4 - THE INSTITUTION - GENERAL," the School and the Hospital have a close relationship that enables them to fulfill their commitment to provide high quality medical education, research and patient care. The Hospital, a tax-exempt New York not-for-profit corporation, was established in 1852 and is a major acute care teaching hospital located on the upper east side of Manhattan. While the Hospital and the School share a close relationship, they are distinct legal entities, each paying its own obligations and operating expenses from its own funds and assets. Neither the Hospital nor any other Health System member is in any respect an obligor with respect to the Series 2015 Bonds, nor is the School an obligor

with respect to any Hospital debt. In September 2013, the MSHG became the member of the Hospital (as well as of BIMC, SLR and NYEEI).

As a tertiary care facility, the Hospital draws patients from surrounding communities, across the country and around the world. The Hospital has a medical staff of approximately 2,509 full-time and voluntary physicians who, in 2014, were responsible for over 60,000 discharges (excluding newborn), over 120,000 ER visits and over 40,000 ambulatory surgeries. The Hospital provides a comprehensive range of medical and surgical services. These services include general surgery, vascular surgery, cardiology and cardiothoracic surgery, minimally invasive abdominal surgery, gastroenterology, endocrinology, oncology, neurosurgery, obstetrics and gynecology, adult intensive care, neonatal intensive care, pediatrics, transplant, psychiatry and AIDS care.

PART 5 - RISK FACTORS AND REGULATORY CHANGES WHICH MAY AFFECT THE SCHOOL

The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2015 Bonds. Such discussion is not exhaustive, should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2015 Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto. Copies of documents summarized herein are available as described in this Official Statement.

General

The ability of the School to meet its obligations under the Loan Agreement with respect to the Series 2015 Bonds may be limited by many factors. Among other things, educational, research and health care institutions are subject to laws and regulations administered by federal, state and local authorities. Changes in such laws or regulations in the future could adversely affect the operations or financial results of the School.

Federal Policy Affecting Research Facilities

The School relies upon federal support of its research programs. This federal support is subject to federal budget priorities and Congress' annual appropriation process. In addition, the School's federally sponsored research is subject to the reimbursement rules and regulations of the United States Office of Management and Budget. The effect of changes in the availability and amount of federal funding or of changes in existing regulations which provide for federal reimbursement is not determinable. Such changes could adversely affect the School's future operations.

Health Care Industry Factors Affecting the School

The health care industry is highly dependent on a number of factors which may limit the ability of the School to meet its obligations under the Loan Agreement with respect to the Series 2015 Bonds. Among other things, participants in the health care industry are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third party reimbursement programs.

Insurance and Malpractice Lawsuits

Although the School carries professional and general liability insurance and, to date, no loss has been sustained which has exceeded the School's insurance coverage, the ability of, and the costs to, the School to insure or otherwise protect itself against malpractice claims may adversely affect its future results of operations or financial condition. For further information, see "PART 4 - THE INSTITUTION - OPERATING INFORMATION - Professional and General Liability Insurance Programs."

Reimbursement from Third Parties

As of December 31, 2014, the School had approximately 1,104 employed faculty members providing patient care services through its Faculty Practice Associates Plan. See “PART 4 - THE INSTITUTION - General Information - Clinical Programs; Faculty Practice Associates” for a more detailed description of this aspect of the School’s operations. The activities and operations of the School are affected by numerous federal and state statutes and regulations governing the furnishing of patient care services as a significant portion of the School’s patient care service revenues are derived from third party payors. The payors reimburse or pay the School for the services provided to patients covered by such third parties for such services. Third party payors include Medicare, Medicaid, private health plans and commercial insurers, including health maintenance organizations and preferred provider organizations. Many third party payors reimburse health care providers at rates other than the charges of the provider. In most cases, most third party payor rates are not based on the actual costs incurred in providing services to such patients. Accordingly, there can be no assurance that payments made under such programs will be adequate to cover the School’s actual costs.

In addition, federal and state legislative and regulatory actions over the past several years have included changes in the structure of the Medicare and Medicaid payment systems, limitations on increases in Medicaid payments and efforts to increase competition among health care providers. Any new, significant legislations or governmental policies affecting health care providers could adversely affect the revenues of the School.

Furthermore, amounts received by the School under the Medicare and Medicaid programs are subject to audit by governmental agencies. Such audits determine whether Medicare and Medicaid reimbursement for patient care services were reasonable, allowable and documented in accordance with state and federal regulations. Although the management of the School believes that the School is in material compliance with all Medicare and Medicaid reimbursement requirements, any determination that is not in compliance could adversely affect the revenues of the School.

Philanthropy and Investments

Income from private philanthropy and from investments contributes to the net income of the School. No assurance can be given as to future philanthropic contributions to the School or that the investments of the School will produce positive results or that additional losses on investments will not occur in the future. For further information, see “PART 4 - THE INSTITUTION - GENERAL INFORMATION - Philanthropy” and “- OPERATING INFORMATION - Endowment and Investments.”

PART 6 - THE SERIES 2015 PROJECT

A portion of the proceeds of the Series 2015 Bonds will be used to finance or refinance costs incurred in connection with the acquiring, constructing, renovating, equipping, repairing, purchasing, or otherwise providing for the project described below (the “Series 2015 Project”). The Series 2015 Project is owned and operated by the School and is located in The City of New York.

The Series 2015 Project includes, at the Annenberg Building, interior renovations to and/or equipping of research laboratories, research support services, and infrastructure (including but not limited to generators and transformers), conference rooms and offices and, at the Icahn Medical Institute, interior renovations to and/or equipping of faculty and staff office space. See “PART 4 - THE INSTITUTION – GENERAL INFORMATION - The Strategic Plan and Factors Affecting Financial Performance”

PART 7 - THE REFUNDING PLAN

A portion of the proceeds of the Series 2015 Bonds, together with other available moneys will be used to provide for the payment of the Refunded Bonds.

Simultaneously with the issuance and delivery of the Series 2015 Bonds, a portion of such proceeds, will be deposited into separate accounts for each of the two series of Refunded Bonds with the trustee for the Refunded Bonds (the “Prior Trustee”), and together with other available funds, will be used to purchase Defeasance Securities (as defined in Appendix A), the principal of and interest due, together with any uninvested cash, will provide moneys sufficient to pay the principal or redemption price of and interest due on the applicable Refunded Bonds to their respective maturity or redemption dates. See “PART 16 - VERIFICATION OF MATHEMATICAL COMPUTATIONS.” At the time of such deposit under each letter of instructions, DASNY will give such trustee irrevocable instructions to give notice of the defeasance and redemption of the Refunded Bonds and to apply the maturing principal of and interest on the Investment Securities, together with any uninvested cash in the applicable account, to the payment of the principal or redemption price of and interest coming due on the Refunded Bonds to their respective maturity or redemption dates. Amounts on deposit in each of the respective accounts will not be available to pay principal or interest on the other series of Refunded Bonds or the Series 2015 Bonds.

Bond Counsel is expected to give an opinion that, upon making the applicable deposits with the Prior Trustee and the giving of certain irrevocable instructions to such Prior Trustee, the Refunded Bonds will, under the terms of the Resolution, be deemed to have been paid and will no longer be outstanding under the Resolution, and the pledge of the revenues or other moneys and securities pledged to the Refunded Bonds and all other rights granted by the Resolution shall be discharged and satisfied.

PART 8 - ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Bonds	\$512,410,000
Net Original Issue Premium	48,425,513
Other Available Funds.....	<u>44,646,572</u>
Total Sources	<u>\$605,482,085</u>

Uses of Funds

Deposit to Construction Fund for Series 2015 Project	\$ 55,000,000
Transfer to Prior Trustee for the Refunded Bonds	546,954,587
Costs of Issuance *	1,273,955
Underwriters’ Discount	<u>2,253,543</u>
Total Uses.....	<u>\$605,482,085</u>

* Includes legal and accounting fees, and consultant fees, rating agency fees, printing costs and other fees and costs.

PART 9 - DASNY

Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers’ colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State

Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), State University of New York, the Workers' Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At June 30, 2015, DASNY had approximately \$46.7 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

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

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

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

DASNY has a staff of approximately 490 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 49 field sites across the State.

Governance

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

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

The current members of DASNY are as follows:

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

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

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

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

SANDRA M. SHAPARD, Secretary, Delmar.

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

Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

JONATHAN H. GARDNER, Esq., Buffalo.

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

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

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

GERARD ROMSKI, Esq., Mount Kisco.

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

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

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

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

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in

History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

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

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that he served as First Deputy Commissioner leading the state Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before joining the state Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a J.D. from Fordham University School of Law and a LL.M. from Columbia Law School.

MARY BETH LABATE, Budget Director of the State of New York, Albany; ex-officio.

Mary Beth Labate was appointed Budget Director on January 16, 2015. She 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. Ms. Labate previously served as First Deputy Budget Director where she was responsible for managing the day to day operations of the Division of the Budget and playing a lead role in negotiating, establishing and executing the State Budget. Prior thereto, she held leadership positions at the Division of the Budget, the New York State Office of Parks, Recreation and Historic Preservation, and the New York State Division of Housing and Community Renewal. Ms. Labate holds a Bachelor of Arts degree from the University of Notre Dame and a Masters degree in Public Administration from the Rockefeller School of Public Affairs.

The principal staff of DASNY is as follows:

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

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

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior

Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor's degree from the State University of New York at Albany.

JOHN G. PASICZNYK is the Acting Chief Financial Officer and Treasurer of DASNY, as well as the Managing Director, Construction and Metro NY Operations. As Acting Chief Financial Officer and Treasurer, Mr. Pasicznyk is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable and financial reporting functions, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. He has served as Managing Director, Construction and Metro NY Operations since 2009. In this role, Mr. Pasicznyk is responsible for managing all aspects of DASNY's multi-billion dollar construction program in the five boroughs of New York City and Long Island. He previously served DASNY as the Chief Financial Officer and Treasurer for 12 year. Prior to that, Mr. Pasicznyk held various other management positions at the Office of Finance since joining DASNY staff in 1985. Mr. Pasicznyk worked in audit positions at KPMG and Deloitte before beginning his DASNY tenure. He holds a Bachelor of Science degree from Syracuse University and a Master of Business Administration degree from the Fuqua School of Business at Duke University.

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

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

CAPRICE G. SPANN is the Managing Director of the Office of Executive Initiatives. Ms. Spann is responsible for strategic efforts in program development, including the utilization of Minority and Women-Owned Businesses and Service-Disabled Veteran-Owned ("SDVO") Business Enterprises, sustainability, training and marketing, as well as communications with DASNY's clients, vendors, the public and governmental officials. She holds a Bachelor of Arts degree from the University of Wisconsin and a Master of Business Administration from Fordham University.

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

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

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2015. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 10 - LEGALITY OF THE SERIES 2015 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2015 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

The Series 2015 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 11 - NEGOTIABLE INSTRUMENTS

The Series 2015 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 2015 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 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986

(the “Code”) and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Series 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2015 Bonds is less than the amount to be paid at maturity of such Series 2015 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 2015 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 2015 Bonds is the first price at which a substantial amount of such maturity of the Series 2015 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 2015 Bonds accrues daily over the term to maturity of such Series 2015 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 2015 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2015 Bonds. Beneficial Owners of the Series 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2015 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2015 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2015 Bonds is sold to the public.

Series 2015 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 2015 Bonds. DASNY, the Institution and the Hospital have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2015 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 2015 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2015 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 2015 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2015 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of Beth Essig, Esq., Vice President and General Counsel of the Institution, regarding the current qualification of the Institution and the Hospital as organizations described in Section 501(c)(3) of the Code and the intended operation of the facilities to be financed and refinanced by the Series 2015 Bonds as substantially related to the Institution’s and the Hospital’s respective charitable purpose under Section 513(a) of the Code. Such opinion is subject to a

number of qualifications and limitations. Furthermore, Counsel to the Institution and the Hospital cannot give and has not given any opinion or assurance about the future activities of the Institution or the Hospital, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service. Failure of the Institution or the Hospital to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series 2015 Bonds in a manner that is substantially related to the Institution's or Hospital's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2015 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2015 Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2015 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 2015 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2015 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2015 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2015 Bonds. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Series 2015 Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2015 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of DASNY, the Hospital or the Institution, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. DASNY, the Hospital and the Institution have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2015 Bonds ends with the issuance of the Series 2015 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend DASNY, the Institution or the Beneficial Owners regarding the tax-exempt status of the Series 2015 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than DASNY, 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 DASNY or the Institution legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2015 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 2015 Bonds, and may cause DASNY, the Institution or the Beneficial Owners to incur significant expense.

PART 13 - STATE NOT LIABLE ON THE SERIES 2015 BONDS

The Act provides that notes and bonds of DASNY shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of DASNY. The Resolution specifically provides that the Series 2015 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 14 - COVENANT BY THE STATE

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

PART 15 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2015 Bonds by DASNY 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 2015 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Institution by Beth Essig, Esq., its Executive Vice President and General Counsel, and by its Special Counsel, Winston & Strawn LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their Counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York, and the Law Offices of Joseph C. Reid, P.A., New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2015 Bonds or questioning or affecting the validity of the Series 2015 Bonds or the proceedings and authority under which they are to be issued.

PART 16 – VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C. will deliver, at or prior to the delivery of the Series 2015 Bonds, its report indicating that it has examined, in accordance with the standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Institution and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Defeasance Securities held by the Prior Trustee to pay, when due, the principal and redemption premium of and interest on, the Refunded Bonds on the respective Redemption Dates.

The report of Causey Demgen & Moore P.C. will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring or data or information coming to their attention subsequent to the date of such report.

PART 17 - UNDERWRITING

The Series 2015 Bonds are being purchased by Citigroup Global Markets Inc., on behalf of itself and the other underwriters listed on the cover of this Official Statement (the “Underwriters”). The Underwriters have agreed, subject to certain conditions, to purchase the Series 2015 Bonds from the Authority at a purchase price of \$558,581,969.85 (par amount plus net premium of \$48,425,512.80 and less Underwriters’ discount of \$2,253,542.95) and to make a public offering of the Series 2015 Bonds at not in excess of such public offering prices or yields stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2015 Bonds if any are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Authority and/or the Institution and to persons and entities with relationships with the Authority and/or the Institution, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority and/or the Institution.

In addition, certain of the Underwriters have entered into distribution agreements with one or more other broker-dealers (that have not been designated by the Authority as the Underwriters) for the distribution of the Series 2015 Bonds at the original issue prices. Such agreements, if applicable, generally provide that the Underwriters will share a portion of their respective underwriting compensation or selling concession with such broker-dealers.

PART 18 - RATINGS

The Series 2015 Bonds are rated “A-” (stable outlook) by Standard & Poor’s Ratings Services and “A3” (negative outlook) by Moody’s Investors Service, Inc. An explanation of the significance of each such rating should be obtained from the rating agency furnishing the same. There is no assurance that each such rating will prevail for any given period of time or that each such rating will not be changed or withdrawn by the applicable rating agency if, in the judgment of such rating agency, circumstances so warrant. Any downward revision or withdrawal of each such rating may have an adverse effect on the market price of the Series 2015 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

PART 19 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act, of 1934, as amended (“Rule 15c2-12”), the Institution will enter into a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Holders of the Series 2015 Bonds with Digital Assurance Certification LLC (“DAC”), as disclosure dissemination agent, the Trustee and DASNY. The proposed form of Continuing Disclosure Agreement is attached as Appendix F hereto.

PART 20 - MISCELLANEOUS

References in this Official Statement to the Act, the Resolution, the Series 2015 Resolution, the Loan Agreement, the Series 2015 Mortgages and the Intercreditor Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2015 Resolution, the Loan Agreement, the Series 2015 Mortgages and the Intercreditor Agreement for full and complete details of their provisions. Copies of such documents are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2015 Bonds are fully set forth in the Resolution and the Series 2015 Resolution. Neither any advertisement of the Series 2015 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2015 Bonds.

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

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

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

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

"Appendix B - Consolidated Financial Statements of Icahn School of Medicine at Mount Sinai for the Years Ended December 31, 2014 and 2013 and for the Years Ended December 31, 2013 and 2012 with Reports of Independent Auditors" contains the audited financial statements of the Institution for the years ended December 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012 and the reports of the Institution's independent auditors, Ernst & Young LLP, on such financial statements.

"Appendix F – Form of Continuing Disclosure Agreement" has been prepared by DASNY.

The Institution has reviewed the parts of this Official Statement describing the Institution, Risk Factors and Regulatory Changes Which May Affect the School, the Series 2015 Project, the Plan of Refunding, Estimated Sources and Uses of Funds, Sources of Payment and Security for the Series 2015 Bonds, the Series 2015 Bonds-Principal, Sinking Funds Installments and Interest Requirements, Continuing Disclosure, Tax Matters and Appendix B. It is a condition to the sale and delivery of the Series 2015 Bonds that the Institution certify as of the dates of sale and delivery of the Series 2015 Bonds that such parts do not contain any untrue statement of a material fact and do not omit 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 DASNY 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 DASNY.

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

By: /s/ Gerrard P. Bushell
Authorized Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

CERTAIN DEFINITIONS

In addition to the other terms defined in this Official Statement, when used in the summaries of certain provisions of the Resolution, the Series 2015A Resolution and the Loan Agreement, the following terms have the meanings ascribed to them below.

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

Additional Bonds means any other Series of Bonds issued under the Resolution subsequent to the issuance of the Series 2015 Bonds.

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

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

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

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

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

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

Bond or *Bonds* means the Series 2015 Bonds and any other Series of Bonds of the Authority authorized by the Resolution and issued pursuant to a Series Resolution.

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

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

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

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

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

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

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

Consultant means a nationally recognized healthcare consultant selected by the Institution and acceptable to the Authority.

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

Cost or Costs of Issuance means the items of expense incurred in connection with the authorization, sale and issuance of a Bonds of a Series, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for insurance on such Bonds, commitment fees or similar charges relating to a Reserve Fund Facility, a Liquidity Facility or an Interest Rate Exchange Agreement, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Cost or Costs of the Project means costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with a Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of a Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to

completion of a Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, testborings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of a Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of a Project, (vii) any sums required to reimburse the Institution or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with a Project (including interest on moneys borrowed from parties other than the Institution), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of a Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant to the Resolution or to the Loan Agreement, a Mortgage, a Liquidity Facility or a Remarketing Agreement.

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

Debt Service Coverage Ratio shall mean Funds Available for Debt Service divided by maximum annual aggregate Debt Service on all Outstanding Bonds and Additional Parity Indebtedness then outstanding.

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

Debt Service Reserve Fund means a reserve fund for the payment of the principal and Sinking Fund Installments of and interest on a Series of Bonds so designated, created and established by the Authority by or pursuant to a Series Resolution. **There is no Debt Service Reserve Fund for the Series 2015 Bonds.**

Debt Service Reserve Fund Requirement means the amount of moneys required to be deposited in the Debt Service Reserve Fund as determined in accordance with the Series Resolution pursuant to which such Debt Service Reserve Fund has been established. **There is no Debt Service Reserve Fund Requirement for the Series 2015 Bonds.**

Debt to Capitalization Ratio means as of any date of calculation, the ratio (stated as a percentage) consisting of a numerator equal to the amount of all Outstanding Bonds and Additional Parity Indebtedness and a denominator equal to (i) the amount of the numerator, plus (ii) unrestricted net assets and temporarily restricted net assets but excluding amounts designated for the acquisition of property, plant and equipment. Net assets shall be determined in accordance with GAAP.

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

on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two nationally recognized statistical rating services in the highest rating category for such Exempt Obligation; provided, however, that such term shall not include (1) any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

Derivative Agreement means, without limitation, any agreement entered into in connection with the incurrence of Indebtedness or the anticipated incurrence of Indebtedness and which does not exceed the par amount of such Indebtedness and which includes (i) any contract known or referred to as or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Institution determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

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

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

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

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

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

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

Funds Available for Debt Service shall mean the Change in Unrestricted Net Asset before non-operating and/or other items of the Institution as reported in the most recent audited financial statements of the Institution net of all extraordinary items and other unusual, infrequent items plus depreciation expense amortization expense, and interest expense on Outstanding Bonds and Additional Parity Indebtedness, excluding all unrealized gains and losses, except to the extent such amounts are included in the School's annual spending rate, but including all realized investment income, and amounts required to be set aside for collateral posted in connection with the valuation of derivatives, but shall not include the non-cash termination value of any hedging, derivative interest rate exchange or similar contract or extraordinary gains or losses related thereto as defined under generally accepted accounting principles, gains or losses resulting from the extinguishment of indebtedness, gains or losses resulting from the sale, exchange or other disposition of capital assets not in the ordinary course of business, or unrealized gains or losses from the write-down, reappraisal or revaluation of assets.

GAAP means generally accepted accounting principals as in effect from time to time in the United States.

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

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

Institution means Icahn School of Medicine at Mount Sinai, formerly known as Mount Sinai School of Medicine of New York University, an educational institution of higher education chartered under the laws of the State, or any successor thereto.

Insurer means, with respect to a Series of Bonds, the firm, association or corporation, including public bodies and governmental agencies, if any, acceptable to the Authority, which has issued an Insurance Policy in connection with such Series of Bonds, and the successor or assign of the obligations of such firm, association or corporation under such policy. **There is no Insurer for the Series 2015 Bonds.**

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

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

Interest Rate Exchange Agreement means an agreement entered into by the Authority or the Institution in connection with the issuance of or which relates to Bonds of one or more Series which (i) provides that during the term of such agreement the Authority or the Institution is to pay to the Counterparty an amount based on the interest accruing at a fixed rate per annum on an amount equal to a principal amount of such Bonds and that the Counterparty is to pay to the Authority or the Institution an amount based on the interest accruing on a principal amount equal to the same principal amount of such Bonds at a fixed rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any

net amount due under such agreement and (ii) in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on such Bonds from gross income for the purposes of federal income taxation.

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

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

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

Loan Agreement means the Loan Agreement, dated as of June 27, 2007, as previously amended and supplemented and as further amended and supplemented by Supplement No. 2 to Loan Agreement, dated as of May 13, 2015, each by and between the Authority and the Institution, as the same may be amended, supplemented or otherwise modified as permitted by the Loan Agreement and by the Resolution.

Mortgage means, collectively, the mortgages securing the Institution's obligations to the Authority under the Loan Agreement.

Mortgaged Property means, the land owned by the Institution described in the Mortgage and the buildings and improvements thereon or hereafter erected thereon and the fixtures, furnishings and equipment owned by the Institution and now or hereafter located therein or thereon.

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

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

- (i) any Bond canceled by the Trustee at or before such date;
- (ii) any Bond deemed to have been paid in accordance with the Resolution;
- (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and
- (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds on the applicable

adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds.

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

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

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

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

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

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

Project means with respect to the Series 2015 Bonds, the Series 2015 Project, and with respect to any other Series of Bonds, each "dormitory" as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of a Series of Bonds, as more particularly described in a Loan Agreement or a Series Resolution. The Project may be amended from time to time in connection with the issuance of Additional Bonds.

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

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

obligations, including any investments of any moneys held under the Resolution purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

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

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

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

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

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

Resolution means the Mount Sinai School of Medicine of New York University Revenue Bond Resolution adopted by the Authority on June 27, 2007, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

Revenues means, with respect to a Series of Bonds, all payments received or receivable by the Authority which pursuant to the applicable Loan Agreement or the Intercreditor Agreement are required to be paid to the Trustee (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund), and all amounts received as a consequence of the enforcement of such Loan Agreement, including but not limited to amounts derived from the foreclosure or sale of or other realization upon the Pledged Revenues for such Series of Bonds.

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

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

Series Resolution means with respect to the Series 2015 Bonds, the Series 2015A Resolution and with respect to any other Series of Bonds, a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution.

Series 2015A Resolution means the Dormitory Authority of State of New York Series 2015A Resolution Authorizing up to \$580,000,000 Mount Sinai School of Medicine of New York University Revenue Bonds, Series 2015, adopted by the Authority on May 13, 2015.

Series 2015 Project means the project in connection with which the Series 2015 Bonds are being issued.

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

State means the State of New York.

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

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

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

**CONSOLIDATED FINANCIAL STATEMENTS OF
ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
WITH REPORTS OF INDEPENDENT AUDITORS**

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONSOLIDATED FINANCIAL STATEMENTS

Icahn School of Medicine at Mount Sinai
Years Ended December 31, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP



Building a better
working world

Icahn School of Medicine at Mount Sinai

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

Contents

Report of Independent Auditors.....1

Consolidated Financial Statements

Consolidated Statements of Financial Position.....3

Consolidated Statement of Activities – Year Ended December 31, 20144

Consolidated Statement of Activities – Year Ended December 31, 20135

Consolidated Statements of Cash Flows.....6

Notes to Consolidated Financial Statements.....7



Ernst & Young LLP
5 Times Square
New York, NY 10036-6530

Tel: +1 212 773 3000
Fax: +1 212 773 6350
ey.com

Report of Independent Auditors

The Board of Trustees
Icahn School of Medicine at Mount Sinai

We have audited the accompanying consolidated financial statements of the Icahn School of Medicine at Mount Sinai, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Icahn School of Medicine at Mount Sinai at December 31, 2014 and 2013, and the consolidated results of its operations and changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 31, 2015

Icahn School of Medicine at Mount Sinai

Consolidated Statements of Financial Position
(In Thousands)

	December 31	
	2014	2013
Assets		
Cash and cash equivalents	\$ 57,046	\$ 79,102
Patient accounts receivable, less allowance for doubtful accounts of \$78,632 and \$50,453 in 2014 and 2013, respectively	77,517	69,867
Due from New York City Health and Hospitals Corporation	4,968	7,365
Loans receivable:		
Employees	65,946	59,022
Students	17,337	17,693
Pledges receivable, net	128,294	130,707
Other assets	35,085	29,088
Assets limited as to use under debt financing arrangements	85,442	91,783
Professional liabilities insurance recoveries receivable	145,658	130,870
Pooled investments, including permanently restricted investments of \$362,573 in 2014 and \$352,820 in 2013	717,372	691,221
Other investments	20,987	27,559
Property, plant, and equipment, net (including net deferred financing charges)	957,018	949,649
Total assets	<u>\$ 2,312,670</u>	<u>\$ 2,283,926</u>
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 46,911	\$ 47,917
Accrued construction liabilities	718	5,322
Accrued salaries, wages, and related liabilities	63,744	57,538
Accrued interest payable	15,199	15,567
Deferred revenue and refundable advances	65,634	57,032
Due to related organizations, net	149,794	127,567
Federal loan capital advances	4,747	4,747
Employee relocation loan program	54,816	49,668
Postretirement health benefit obligations	13,492	11,358
Professional liabilities	145,658	130,870
Long-term debt	626,994	647,083
Total liabilities	<u>1,187,707</u>	<u>1,154,669</u>
Commitments and contingencies		
Net assets:		
Unrestricted	394,439	393,291
Temporarily restricted	336,391	357,470
Permanently restricted	394,133	378,496
Total net assets	<u>1,124,963</u>	<u>1,129,257</u>
Total liabilities and net assets	<u>\$ 2,312,670</u>	<u>\$ 2,283,926</u>

See accompanying notes.

Icahn School of Medicine at Mount Sinai

Consolidated Statement of Activities

Year Ended December 31, 2014

(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, support and reclassifications:				
Net patient care services	\$ 671,358	\$ —	\$ —	\$ 671,358
Federal grants and contracts	300,196	—	—	300,196
Private gifts, grants, and contracts	125,789	35,848	15,637	177,274
New York City Health and Hospitals Corporation	211,232	—	—	211,232
CARTS transfers:				
The Mount Sinai Hospital	193,008	659	—	193,667
Other related hospitals	3,454	—	—	3,454
Investment income allocated to operations	34,360	5,045	—	39,405
Royalty revenue	46,046	—	—	46,046
Tuition and fees	28,904	—	—	28,904
Other support	56,528	—	—	56,528
	<u>1,670,875</u>	<u>41,552</u>	<u>15,637</u>	<u>1,728,064</u>
Net assets released from restrictions	63,388	(63,388)	—	—
Total revenue, gains, support, and reclassifications	<u>1,734,263</u>	<u>(21,836)</u>	<u>15,637</u>	<u>1,728,064</u>
Expenses:				
Program services:				
Patient care services	879,963	—	—	879,963
Sponsored research	274,905	—	—	274,905
Basic and clinical sciences	282,703	—	—	282,703
Scholarships	3,885	—	—	3,885
Total program services	<u>1,441,456</u>	<u>—</u>	<u>—</u>	<u>1,441,456</u>
Support services (management and general):				
General administration and support services	292,676	—	—	292,676
Total expenses	<u>1,734,132</u>	<u>—</u>	<u>—</u>	<u>1,734,132</u>
Increase (decrease) in net assets before investment return earned (less) greater than amounts allocated to operations and equity in income of related-party	131	(21,836)	15,637	(6,068)
Investment return earned (less) greater than amounts allocated to operations	(502)	757	—	255
Equity in income of related-party	1,519	—	—	1,519
Increase (decrease) in net assets	<u>1,148</u>	<u>(21,079)</u>	<u>15,637</u>	<u>(4,294)</u>
Net assets at beginning of year	393,291	357,470	378,496	1,129,257
Net assets at end of year	<u>\$ 394,439</u>	<u>\$ 336,391</u>	<u>\$ 394,133</u>	<u>\$ 1,124,963</u>

See accompanying notes.

Icahn School of Medicine at Mount Sinai

Consolidated Statement of Activities

Year Ended December 31, 2013

(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, support and reclassifications:				
Net patient care services	\$ 598,069	\$ —	\$ —	\$ 598,069
Federal grants and contracts	277,744	—	—	277,744
Private gifts, grants, and contracts	137,670	55,934	15,964	209,568
New York City Health and Hospitals Corporation	203,031	—	—	203,031
The Mount Sinai Hospital CARTS transfer	177,588	783	—	178,371
Investment income allocated to operations	33,482	5,425	—	38,907
Royalty revenue	42,190	—	—	42,190
Tuition and fees	27,305	—	—	27,305
Other support	50,239	—	—	50,239
	<u>1,547,318</u>	<u>62,142</u>	<u>15,964</u>	<u>1,625,424</u>
Net assets released from restrictions	45,803	(45,803)	—	—
Total revenue, gains, support, and reclassifications	<u>1,593,121</u>	<u>16,339</u>	<u>15,964</u>	<u>1,625,424</u>
Expenses:				
Program services:				
Patient care services	806,102	—	—	806,102
Sponsored research	250,925	—	—	250,925
Basic and clinical sciences	251,862	—	—	251,862
Scholarships	3,354	—	—	3,354
Total program services	<u>1,312,243</u>	<u>—</u>	<u>—</u>	<u>1,312,243</u>
Support services (management and general):				
General administration and support services	280,761	—	—	280,761
Total expenses	<u>1,593,004</u>	<u>—</u>	<u>—</u>	<u>1,593,004</u>
Increase in net assets before investment return earned greater than amounts allocated to operations and equity loss from related-party	117	16,339	15,964	32,420
Investment return earned greater than amounts allocated to operations	38,928	25,781	—	64,709
Equity loss from related-party	(8,106)	—	—	(8,106)
Increase in net assets	<u>30,939</u>	<u>42,120</u>	<u>15,964</u>	<u>89,023</u>
Net assets at beginning of year	362,352	315,350	362,532	1,040,234
Net assets at end of year	<u>\$ 393,291</u>	<u>\$ 357,470</u>	<u>\$ 378,496</u>	<u>\$ 1,129,257</u>

See accompanying notes.

Icahn School of Medicine at Mount Sinai

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31	
	2014	2013
Operating activities		
(Decrease) increase in net assets	\$ (4,294)	\$ 89,023
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	80,605	69,205
Amortization of bond discount and premium, net	(1,177)	(1,336)
Contributions to permanently restricted net assets	(15,637)	(15,964)
Equity in (income) loss from related-party	(1,519)	8,106
Change in net unrealized gains and losses on investments	(18,563)	(70,582)
Changes in operating assets and liabilities:		
Pledges receivable	2,413	(12,500)
Patient accounts receivable, net	(7,650)	(637)
Due to related organizations, net	23,746	18,884
Accounts payable, accrued expenses, and accrued construction liabilities	(5,610)	(15,164)
Accrued salaries, wages, and related liabilities	6,206	13,803
Employee relocation loan program	5,148	5,508
Net change in other operating assets and liabilities	6,768	(10,369)
Net cash provided by operating activities	<u>70,436</u>	<u>77,977</u>
Investing activities		
Net increase in loans receivable	(6,568)	(5,401)
Investments in fixed assets and projects in process	(87,974)	(103,424)
Net (increase) decrease in investments	(1,016)	12,492
Decrease in assets limited as to use under debt financing arrangements	6,341	20,117
Net cash used in investing activities	<u>(89,217)</u>	<u>(76,216)</u>
Financing activities		
Contributions to permanently restricted net assets	15,637	15,964
Principal payments on long-term debt and capital lease obligations	(18,912)	(21,517)
Net cash used in financing activities	<u>(3,275)</u>	<u>(5,553)</u>
Net decrease in cash and cash equivalents	(22,056)	(3,792)
Cash and cash equivalents at beginning of year	79,102	82,894
Cash and cash equivalents at end of year	<u>\$ 57,046</u>	<u>\$ 79,102</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 31,435</u>	<u>\$ 32,236</u>

See accompanying notes.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements

December 31, 2014

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The Icahn School of Medicine at Mount Sinai (the School) is a teaching and research institution that educates physicians, biomedical scientists and medical students for careers in the practice of medicine, the delivery of health care and the pursuit of medical research. It grants both MD and PhD degrees. The School is closely affiliated with The Mount Sinai Hospital (the Hospital) and its affiliates, although the School is managed separately and is a separate legal entity. The School and the Hospital share a four-block area campus on the Upper East Side of Manhattan. The accompanying consolidated financial statements include the accounts of the School and Mount Sinai Children's Center Foundation, Inc. (CCF), a not-for-profit organization formed in 1989, of which the School is the sole member, Mount Sinai Care, LLC (the ACO), organized for the purpose of and operated as an accountable care organization, of which the School is the sole member, the Mitral Foundation, a not-for-profit organization formed in 2009, and Valentin Fuster Mount Sinai Foundation for Science, Health, and Empowerment (the Foundation), a not-for-profit organization formed in 2013.

On September 30, 2013, the School, the Hospital and The Mount Sinai Medical Center, Inc. (the Medical Center, and together with the School and the Hospital, the Mount Sinai Entities) consummated a transaction pursuant to which the Mount Sinai Entities and Beth Israel Medical Center (BIMC), The St. Luke's-Roosevelt Hospital Center (SLR), and the New York Eye and Ear Infirmary (NYEEI) came together to create the Mount Sinai Health System, an integrated health care system and academic medical center (the Transaction). Pursuant to the Transaction, two new not-for-profit entities were formed: Mount Sinai Health System, Inc. (MSHS) and Mount Sinai Hospitals Group, Inc. (MSHG). MSHG was formed to be the member of the Hospital, BIMC, SLR, and NYEEI. MSHS was formed to be the member of MSHG, the School and Medical Center.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. In the accompanying consolidated financial statements, estimates principally relate to the valuation of net accounts receivable, estimated professional liabilities and related

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

insurance recoveries receivable and the carrying value of alternative investments. Management believes that the amounts recorded based on estimates and assumptions are reasonable and any differences between estimates and actual should not have a material effect on the School's consolidated financial position.

Related Organizations

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

Summarized financial information for CCF is as follows (in thousands):

	December 31	
	2014	2013
Total assets	\$ 1,158	\$ 1,068
Net assets	\$ 1,158	\$ 1,068

	Year Ended December 31	
	2014	2013
Total revenue	\$ 600	\$ 470
Total expenses	510	543
Increase (decrease) in net assets	\$ 90	\$ (73)

Cash and Cash Equivalents

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

The School has balances in financial institutions that exceed Federal depositing insurance limits. Management does not believe the credit risk related to these deposits to be significant.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Patient Accounts Receivable/Allowance for Doubtful Accounts

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

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

The School grants credit without collateral to its patients, most of whom are insured under third-party agreements. The significant concentrations of accounts receivable for services to patients include:

	December 31	
	2014	2013
Medicare	18%	18%
Medicaid	17	15
Managed care and commercial	59	61
Other	6	6
	100%	100%

Approximately 41% and 39% of the School's net patient care services revenue was from Medicare and Medicaid programs in 2014 and 2013, respectively.

Assets Limited As to Use Under Debt Financing Arrangements

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Investments

The majority of the School's investments, with the exception of real estate-related amounts due from or invested in affiliate (see Note 5) and approximately \$21 million and \$27.6 million at December 31, 2014 and 2013, that are separately invested funds, are in a pooled investment portfolio maintained for the benefit of the Hospital, the Medical Center, BIMC, SLR, NYEEI and the School.

In 2014, custody of investments held in the investment pool was transferred to the Medical Center and the Medical Center was named as the owner of record of each of the investments; in prior years, the investment pool assets were held in custody of the various pool participants. Consequently, the Medical Center records all of the pooled investments in its financial statements, with a corresponding liability due to each of the participants in the investment pool for their respective share of the pooled investments; the pool participants report their respective share of the investment pool as "pooled investments". Investment earnings on the pooled investments are recorded by the pool participants, based on their pro rata share of the pool's investment returns.

Investments consist of cash and cash equivalents, U.S. government and corporate bonds, money market funds, equity securities and interests in alternative investments. Debt securities and equity securities with readily determinable values are carried at fair value based on independent published sources (quoted market prices).

Alternative investments (nontraditional, not readily marketable securities) may consist of equity, debt and derivatives both within and outside the U.S. in multi-strategy hedge funds, event-driven strategies, global investment mandates, distressed securities and private funds. Alternative investment interests generally are structured such that the investment pool holds a limited partnership interest or an interest in an investment management company. The investment pool ownership structure does not provide for control over the related investees and the investment pool's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. Future funding commitments by members of the investment pool for alternative investments aggregated approximately \$74.4 million at December 31, 2014.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Individual investment holdings within the alternative investments include nonmarketable and market-traded debt and equity securities and interests in other alternative investments. The School may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. Alternative investments often have liquidity restrictions under which the pooled investment capital may be divested only at specified times. The liquidity restrictions range from several months to ten years for certain private equity investments. Liquidity restrictions may apply to all or portions of a particular invested amount.

Alternative investments in the pool are stated at fair value, as estimated in an unquoted market. Fair value is determined by management for each investment based upon net asset values derived from the application of the equity method of accounting, as a practical expedient. Financial information used to evaluate alternative investments is provided by the respective investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the School's annual financial statement reporting.

There is uncertainty in determining fair values of alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, time lags associated with reporting by the investee companies and the subjective evaluation of liquidity restrictions. As a result, the estimated fair values might differ from the values that would have been used had a ready market for the alternative investment interests existed and there is at least a reasonable possibility that estimates will change.

Investment Income

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

The total investment return (investment income and realized and unrealized gains and losses) is reflected in the accompanying consolidated statements of activities in two portions. The investment return allocated to operating revenues (revenue, gains, support and reclassifications) is determined by application of a 5% normal return to a three-year average market value of investments, excluding certain permanently restricted assets and certain other funds (the annual 5% endowment spending rate). In addition, actual investment earnings on short-term funds, principally trustee-held assets for construction projects, are included in operating revenues. The investment return classified outside of operating revenues represents the favorable or unfavorable difference between the actual total investment return and the amount allocated to operating revenues.

Property, Plant, and Equipment

Property, plant, and equipment, including leasehold improvements, are stated at cost; those acquired through contributions are stated at fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operating results. Annual provisions for depreciation and amortization are made based upon the straight-line method over the estimated useful life of the assets ranging from 5 to 50 years. Fixed assets are written off when they are fully depreciated and no longer in use. Depreciation expense for the years ended December 31, 2014 and 2013, was approximately \$80.6 million and \$69.2 million, respectively.

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

Deferred Financing Charges

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Revenue Recognition

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

Contributions are reported as either temporarily or permanently restricted if they are received with donor-imposed stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions, including grants for sponsored research, whose restrictions and conditions are met within the same year as the contributions are received, are reflected in the activities of the unrestricted net asset class.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the School has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the School in perpetuity. Income earned therefrom is unrestricted or temporarily restricted based upon donors' stipulations.

Tax Status

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

The Foundation filed Internal Revenue Service Form 1023 for recognition of income tax exemption under Section 501(c)(3) of the Code. The exemption was granted effective August 19, 2013.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

The ACO is a single member limited liability company that is not recognized as a separate legal entity for tax purposes. The ACO is considered to be a disregarded entity for tax purposes. As a disregarded entity, the School is subject to unrelated business income taxation should the ACO's income be derived from activities unrelated to the School's exempt purpose.

Professional Liabilities

The undiscounted estimate of professional liabilities and the estimate for incidents that have been incurred but not reported is included in the accompanying consolidated statements of financial position at the actuarially determined present value of approximately \$145.7 million based on a discount rate of 3% at December 31, 2014 (\$130.9 million at December 31, 2013). The School has recorded related insurance recoveries receivable of the same amounts in consideration of expected insurance recoveries.

The School's estimate of professional liabilities is based upon complex actuarial calculations which utilize factors such as historical claims experience for the School and related industry factors, trending models, estimates for the payment patterns of future claims and present value discount factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions of estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014-09, *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's current revenue recognition requirements and most industry-specific guidance. The provisions of ASU 2014-09 are effective for the School for annual reporting periods beginning after December 15, 2016. Early application is not permitted. The School has not completed the process of evaluating the impact of ASU 2014-09 on its consolidated financial statements.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Reclassifications

Certain reclassifications have been made to 2013 balances previously reported in order to confirm with the 2014 presentation. Marketable securities and alternative investments have been reclassified in the accompanying consolidated statements of financial position to pooled investments.

2. Net Patient Care Services Revenue

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

A similar arrangement exists for School physicians at Elmhurst Hospital Center (Elmhurst) and Queens Hospital Center (Queens). These receipts are used to support certain services previously funded under agreements with New York City Health and Hospitals Corporation (HHC), provide salary supplements for physicians and support the School's departmental activities at Elmhurst and Queens.

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

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

3. Pledges Receivable

Pledges receivable, representing unconditional promises to give to the School, recorded net of a present value discount (based on a range of interest rates of 0.13% to 8.00%) and valuation allowance, consist of the following (in thousands):

	December 31	
	2014	2013
Temporarily restricted	\$ 111,241	\$ 120,211
Permanently restricted	24,270	18,384
Unconditional promises to give before discount to present value and valuation allowance	135,511	138,595
Less present value discount and valuation allowance	7,217	7,888
Net pledges receivable	<u>\$ 128,294</u>	<u>\$ 130,707</u>

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

	December 31	
	2014	2013
Within one year	\$ 46,900	\$ 36,955
One to five years	71,641	88,619
More than five years	16,970	13,021
Total pledges receivable	<u>\$ 135,511</u>	<u>\$ 138,595</u>

The School is party to a pledge agreement of \$150 million among the School, the Hospital, Carl C. Icahn (the Donor) and The Icahn Medical Research Foundation (the Icahn Foundation). The pledge will be paid by the Donor to the Icahn Foundation solely for use by the Icahn Institute of Medical Research at Mount Sinai LLC (the MRO), a single member limited liability company of which the Icahn Foundation is the sole member, to conduct research in conjunction with the School and Hospital pursuant to terms of a collaboration agreement. The purpose of the collaboration agreement and the establishment of the MRO is to enable the School, the Hospital, the Icahn Foundation and the MRO to closely cooperate in a joint effort to conduct research in the fields of genomics, multi-scale biology and related matters. The pledge is not recorded in the accompanying consolidated financial statements. The outstanding pledge receivable balance is approximately \$141.0 million as of December 31, 2014.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Pursuant to various agreements with HHC, the School provides professional, medical and other services for the operations of Elmhurst and Queens. For services provided under the agreements, the School is reimbursed for costs incurred, plus overhead, but not in excess of amounts specified in the agreements. Certain costs are funded by the operations of faculty practice group arrangements at Elmhurst and Queens, which are independent of other School programs, under a letter of understanding with HHC.

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

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

5. Related Organizations

Amounts due (to) from the School's related organizations consisted of the following (in thousands):

	December 31	
	2014	2013
The Mount Sinai Medical Center, Inc.	\$ 1,245	\$ 2,405
MSMC Realty Corporation	(20,299)	(20,299)
The Mount Sinai Hospital	(132,674)	(110,174)
8 East 102 nd Street LLC	606	249
Beth Israel Medical Center	1,282	-
The St. Luke's-Roosevelt Hospital Center	(218)	-
New York Eye and Ear Infirmary	264	252
Due to related organizations, net	\$ (149,794)	\$ (127,567)

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

5. Related Organizations (continued)

Transactions charged (at cost) by the Hospital to the School totaled approximately \$1,058 million and \$986.0 million during the years ended December 31, 2014 and 2013, respectively. These transactions include payroll and benefits charges, approximately 92% in 2014 and 91% in 2013, of the respective totals, and approximately 8% in 2014 and 9% in 2013, related to various other shared services. Included in the benefits charges are certain employee health plan claims and premiums which are paid by the Hospital and, subsequently, charged to the School. Accordingly, the Hospital recognizes an actuarially determined liability for unreported health claims on behalf of the School. These claims are recorded as expenses in the School's consolidated statements of activities.

Additionally, the Hospital purchases professional services from the School for the clinical care of its patients, teaching and supervision of its residents, the performance of certain administrative functions, and various strategic initiatives (CARTS transfers). The Hospital paid approximately \$206.1 million and \$189.4 million in 2014 and 2013, respectively, for these and related services.

The School reflects in its consolidated financial statements transfers from the Hospital to fund the School's community practice plan deficits (approximately \$36.2 million in 2014 and \$31.5 million in 2013). Additionally, the Hospital funded in 2014 approximately \$4.0 million to the ACO.

At December 31, 2014 and 2013, the School owed approximately \$29.2 million and \$26.6 million, respectively, to the Hospital in relation to capital building projects that are under construction.

Transactions charged (at cost) by the School to BIMC, SLR and NYEEI totaled approximately \$4.3 million, \$3.9 million and \$0.3 million, respectively, during the year ended December 31, 2014. These transactions include payroll and benefits charges and various other shared services.

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

5. Related Organizations (continued)

Property and equipment contributed by the Hospital, the School and Realty Corp. were used by MSMCRRC to secure \$125.0 million in financing from a bank which was subsequently increased to \$145.0 million as part of a refinancing in 2005. The total amount received by the School of approximately \$34.4 million (comprised of \$18.2 million used to repay the School's commercial paper program and a \$16.2 million receivable after the initial financing), was based on the relative fair value of the property contributed, as compared to properties contributed by the Hospital and Realty Corp. that were part of the \$125.0 million financing.

During 2006, the School received the remaining balance of the \$16.2 million initially recorded as receivable and received additional amounts totaling \$7.6 million through December 31, 2007. At December 31, 2008, these additional amounts were settled with the School through funding provided by Realty Corp. As a result of the funding provided by Realty Corp., the School has \$20.3 million due to Realty Corp. at December 31, 2014 and 2013.

At December 31, 2008, the School had an interest in the fair value of the net assets of MSMCRRC of approximately \$21.4 million, representing the excess of the carrying value of the property contributed over the amounts received. During 2009, MSMCRRC sold certain property and the School received approximately \$42.0 million, including amounts distributed to the School by the Hospital and Realty Corp. \$21.4 million of the amount received in 2009 reduced the carried interest in the fair value of MSMCRRC net assets. During 2014, the School received approximately \$1.6 million in distributions from MSMCRRC, the Hospital and Realty Corp. (none in 2013).

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

	December 31	
	2014	2013
Total assets	\$ 103,928	\$ 103,335
Total liabilities	(148,763)	(150,940)
Net deficit	<u>\$ (44,835)</u>	<u>\$ (47,605)</u>

In December 2001, Realty Corp. entered into a \$16.0 million loan agreement with the New York City Industrial Development Agency which was collateralized by a bank letter of credit that was guaranteed by the School and the Medical Center. The outstanding balance was \$11.9 million at December 31, 2013, and the loan was repaid in full in October 2014. The letter of credit was terminated in October 2014.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

5. Related Organizations (continued)

Summarized financial information for Realty Corp., in which the Hospital, the School and the Medical Center are members, at December 31 is as follows (in thousands):

	December 31	
	2014	2013
Total assets	\$ 25,878	\$ 26,344
Total liabilities	(20,880)	(32,811)
Net assets (deficiency)	\$ 4,998	\$ (6,467)

During 2010, 8 East 102nd Street LLC (the Company) was formed for the sole purpose of supporting its member corporation by managing, maintaining, holding, developing, acquiring or disposing of real property for its benefit. The Company's sole member is 8 East 102nd Street Manager LLC (the Manager). The members of the Manager are the Hospital, the School and the Medical Center. Through December 31, 2013, the School transferred approximately \$138.0 million in capital expenditures for a residential tower project to the Company, which financed and owns a portion of the project (none in 2014).

On November 1, 2013, the members of the Manager, together with certain other persons, amended and restated the operating agreement of the Manager and elected for the Manager to be taxed as a real estate investment trust (the REIT) for U.S. Federal income tax purposes, effective January 1, 2014. As a result, the members own 99% of the partnership units of the REIT; 125 investors each purchased preferred shares of the Manager for \$1,000 each.

The School, the Hospital and the Medical Center, as members of the Manager, have agreed to distribute the net activities of the Manager (which, as the sole member of the Company, reflects the net activities of the Company) solely to the School. This agreement includes equity in income or loss of the Manager, as well as cash distributions. Accordingly, in the accompanying consolidated financial statements, the School has recognized equity in income of related party of approximately \$1.5 million in 2014 (loss of \$8.1 million in 2013). In 2014, the Manager distributed to the School approximately \$9.8 million of cash derived from the net activities of the Company (\$1.8 million in 2013).

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

5. Related Organizations (continued)

Summarized financial information for the Manager at December 31, 2014, is as follows (in thousands):

Total assets	\$ 130,264
Total liabilities	<u>(146,625)</u>
Members' capital (including noncontrolling interest of \$1,798)	<u>\$ (16,361)</u>

In August 2014, the Hospital entered into a transaction pursuant to which the Hospital obtained approximately 450,000 square feet of space located at 150 East 42nd Street to be used to consolidate corporate services of MSHS. The new space will replace existing leased and owned office space to provide additional capacity for clinical and research activities. A leasehold condominium interest was purchased by the Hospital and, shortly thereafter, transferred to a special-purpose, limited liability company formed by the Hospital. The Hospital financed the purchase through the issuance of a promissory note payable with a principal amount of approximately \$110.1 million, interest at a rate of 8%, and payments beginning June 2015 and ending in March 2046. Payment of interest is deferred from August 2014 until May 2015. The Hospital and the School guaranteed, on a joint and several basis, all of the obligations of the Hospital which include note payments, operating expenses, taxes and other carrying costs and charges, some of which escalate annually. The property is collateral for the related financing.

6. Investments

Total investments for the School are maintained as follows (in thousands):

	December 31	
	2014	2013
Pooled investments	\$ 717,372	\$ 691,221
Non-pooled investments (marketable and nonmarketable, net)	<u>20,987</u>	<u>27,559</u>
	<u>\$ 738,359</u>	<u>\$ 718,780</u>

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

6. Investments (continued)

The following table summarizes the composition of the investment pool at December 31, 2014 and 2013 (in thousands); the School's interests in the pooled investment components are proportionate based on the ratio of its pooled investment balance to the total of the pool.

	December 31	
	2014	2013
Cash and cash equivalents	\$ 54,166	\$ 29,779
Fixed income:		
Mutual funds	29,562	17,949
Equities:		
U.S. equities	102,272	87,704
Global equities	40,249	33,265
Non-U.S. equities	97,076	93,259
Alternative investments:		
Hedge funds:		
Long-only equity	160,584	108,785
Hedged equity ^(a)	208,936	201,144
Long/short credit ^(b)	45,909	42,541
Multi-strategy ^(c)	165,938	153,681
Open mandate ^(d)	300,245	287,546
Macro ^(e)	114,973	124,308
Private equity:		
Equity ^(f)	32,735	43,204
Credit/distressed ^(g)	123,673	137,594
Real assets ^(h)	33,515	22,768
	\$ 1,509,833	\$ 1,383,527

^(a) Investments consisting primarily of publicly traded equity holdings with both long and short positions.

^(b) Investments consisting primarily of publicly traded credit holdings with both long and short positions.

^(c) Investments with lower correlations to stock and bond markets with a balanced mix of assets and strategies. Underlying exposures primarily include publicly traded equity and credit positions in event-driven, relative value, and various arbitrage strategies.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

6. Investments (continued)

- (d) Investments with lower correlations to stock and bond markets. Underlying exposures primarily include publicly traded equity and credit positions with a fundamental value bias. Portfolios may reflect a tilt toward equity or credit positions, involve portfolio-level hedging, and hold large cash positions if value opportunities are not found.
- (e) Investments focused on global macro dislocations rather than micro-driven opportunities. Holdings are both long and short in equity, fixed income, currency, and futures markets.
- (f) Investments targeting buyout and growth equity opportunities that require time to reach realization.
- (g) Investments in structured credit, claims, distressed positions of either a minority or controlling interest that require time to reach realization.
- (h) Real estate and natural resources investments that require time to reach realization.

The total return on pooled investments comprises the following for the years ended December 31 (in thousands):

	Year Ended December 31	
	2014	2013
Interest and dividend income	\$ 5,368	\$ 3,605
Net realized gains on sales of securities	31,115	50,766
Change in net unrealized gains and losses	35,696	130,242
Fees and other expenses	(4,614)	(3,768)
Total	<u>\$ 67,565</u>	<u>\$ 180,845</u>

The School was allocated a total return from the pool based on agreements among the pool participants and donor stipulations of approximately \$39.4 million and \$102.9 million for 2014 and 2013, respectively.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

6. Investments (continued)

Total investment returns recognized by the School include amounts allocated by the Hospital and comprise the following (in thousands):

	Year Ended December 31	
	2014	2013
Interest and dividend income	\$ 3,255	\$ 2,427
Net realized gains on sales of securities	16,046	28,987
Change in net unrealized gains and losses	18,563	70,582
Total return allocated by the Hospital	4,224	4,054
Fees and other expenses	(2,428)	(2,434)
Total	<u>\$ 39,660</u>	<u>\$ 103,616</u>

7. Property, Plant, and Equipment

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

	December 31	
	2014	2013
Land	\$ 11,012	\$ 11,012
Buildings and improvements	1,040,975	1,005,791
Furniture, fixtures, and equipment	333,592	298,252
Leasehold interest and improvements	171,991	171,991
Deferred financing charges, net	9,592	10,593
	<u>1,567,162</u>	<u>1,497,639</u>
Less accumulated depreciation and amortization	(668,354)	(587,749)
	<u>898,808</u>	<u>909,890</u>
Capital projects in progress	58,210	39,759
	<u>\$ 957,018</u>	<u>\$ 949,649</u>

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

7. Property, Plant, and Equipment (continued)

The School has entered into lease agreements with the Hospital relating to portions of the School-owned Icahn Medical Institute and the Center for Advanced Medicine (CAM) which are used by the Hospital. The School has reflected the amount paid by the Hospital related to its leasehold interests (\$11.8 million and \$4.7 million for each building, respectively) as a reduction of its cost. Additionally, the Hospital pays the School for its share of operating expenses under the terms of the lease agreements as follows (in thousands):

	Year Ended December 31	
	2014	2013
Icahn Medical Institute	\$ 4,600	\$ 4,796
Center for Advanced Medicine	2,842	2,840
	\$ 7,442	\$ 7,636

Future minimum rental payments due from the Hospital under the leases are approximately \$7.2 million in 2015, \$7.0 million in 2016, \$6.8 million in 2017, \$6.6 million in 2018, \$6.3 million in 2019 and \$60.3 million thereafter.

Assets under capital leases approximate \$19.1 million and \$15.5 million at December 31, 2014 and 2013, respectively, and are included in furniture, fixtures and equipment (\$6.7 million and \$4.8 million for 2014 and 2013 respectively, net of accumulated amortization).

The School capitalizes costs incurred in connection with the development of internal-use software or purchased software modified for internal use. The costs are amortized over estimated useful lives ranging from five to seven years. At December 31, 2014 and 2013, total capitalized costs of approximately \$9.4 million and \$12.2 million, respectively, net of accumulated amortization, are included in furniture, fixtures, and equipment.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt and Related Assets

At December 31, 2014 and 2013, the School had outstanding long-term debt used to finance a variety of projects, including a modernization and capital improvement program, the construction of The Leon and Norma Hess Center for Science and Medicine (CSM), the Icahn Medical Institute and the CAM. Outstanding long-term debt comprised the following (in thousands):

	December 31	
	2014	2013
Dormitory Authority of the State of New York (the Authority)		
debt consisting of:		
• Bonds payable (including unamortized original issue premium of \$3,668); maturing through 2021 with interest rates varying from 4.00% to 5.00% per annum. (Series 2010A bonds)	\$ 71,613	\$ 80,609
• Bonds payable (including unamortized original issue discount of \$3,287); maturing through 2039 with interest rates varying from 4.00% to 5.50% per annum. (Series 2009 bonds)	366,628	366,424
• Bonds payable (including unamortized original issue premium of \$3,219); maturing through 2037 with interest rates varying from 4.00% to 5.00% per annum. (Series 2007 bonds)	118,489	119,633
• Bonds payable (including unamortized original issue premium of \$48); maturing through 2015 with interest rates varying from 3.25% to 5.25% per annum. (Series 2003 bonds)	7,873	15,517
• Bonds payable (net of unamortized original issue discount of \$199); maturing through 2024 with interest rates varying from 5.00% to 5.15% per annum. (Series 1994A bonds)	39,376	39,353
• Authority tax-exempt leasing program loans due in monthly installments of \$397, with interest rate of 1.135% through December 2018	18,615	23,138
Capital leases, monthly installments of \$73 through 2019	4,400	2,409
	\$ 626,994	\$ 647,083

During 2012, the School entered into a tax-exempt leasing program with the Authority as the lessee and Bank of America Public Capital Corp. as the lessor for approximately \$27.6 million, with the intention for the proceeds to be used to finance research and clinical equipment. Proceeds from the leasing program were deposited into an escrow account which will be reimbursed to the School as approved capital expenditures are incurred. The amount on deposit of \$4.0 million at December 31, 2014, is included in assets limited as to use under debt financing arrangements in the accompanying statements of financial position (\$7.5 million at December 31, 2013).

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

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

At December 31, 2014, the School has commitments of approximately \$47.2 million related to capital projects.

During 2014, the School transferred approximately \$3.8 million in capital expenditures to the Hospital for the CSM and Residential Tower project (\$21.5 million in 2013). The School recorded the Hospital's leasehold interest as a reduction in cost (aggregate of approximately \$74.5 million at December 31, 2014).

In connection with its long-term debt, the School has agreed to maintain certain financial ratios, including a debt service coverage ratio. At December 31, 2014 and 2013, the School was in compliance with the required financial ratios.

As of December 31, 2014, principal payments under long-term indebtedness and future minimum payments under capitalized leases for the next five fiscal years and thereafter are as follows (in thousands):

	Long-Term Debt	Capitalized Leases
2015	\$ 21,690	\$ 1,583
2016	23,197	1,046
2017	24,155	709
2018	25,143	605
2019	21,415	408
Thereafter	503,545	406
	619,145	4,757
Interest	—	(357)
	\$ 619,145	\$ 4,400

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Interest expense for all debt aggregated approximately \$29.9 million and \$31.1 million for the years ended December 31, 2014 and 2013, respectively. Capitalized interest of \$1.4 million and \$0.9 million was recorded for the years ended December 31, 2014 and 2013, respectively.

Assets limited as to use under debt financing arrangements (primarily U.S. Government obligations) consisted of (in thousands):

	December 31	
	2014	2013
Construction proceeds funds	\$ 4,050	\$ 7,516
Debt service reserve funds	60,345	60,350
Debt service funds	21,047	23,917
	<u>\$ 85,442</u>	<u>\$ 91,783</u>

9. Perkins Loan Program

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

10. Employee Relocation Loan Program

The School maintains an employee relocation loan program whereby the School participates in a portion of the financing of the primary residence mortgage of eligible faculty members. All taxes, insurance and repair and maintenance costs of the residence are the responsibility of the faculty members. If the faculty member's employment is terminated before the mortgage is repaid, the faculty member may purchase the School's share of the equity and assume the remainder of the School's mortgage obligation on the property, or the residence will be sold in accordance with the employee relocation loan program agreement and the School will be entitled to a portion of the proceeds. The School's participation in this program aggregated approximately \$54.8 million and \$49.7 million at December 31, 2014 and 2013, respectively.

11. Other Postretirement Benefits

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

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

The School recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its retiree benefits, with a corresponding adjustment to unrestricted net assets for the portion of the unfunded liability that has not been recognized as cost. The adjustment to unrestricted net assets represents the net unrecognized actuarial losses and unrecognized prior service cost, which will be recognized subsequently as a component of net periodic benefit cost through amortization.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

11. Other Postretirement Benefits (continued)

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

	December 31	
	2014	2013
Reconciliation of the benefit obligation		
Obligation at January 1	\$ 11,358	\$ 12,965
Service cost	37	55
Interest cost	556	457
Actuarial (gain) loss	2,509	(991)
Benefit payments	(968)	(1,128)
Obligation at December 31	<u>\$ 13,492</u>	<u>\$ 11,358</u>
Funded status		
Funded status at December 31	<u>\$ 13,492</u>	<u>\$ 11,358</u>
Net amount recognized	<u>\$ 13,492</u>	<u>\$ 11,358</u>

The following table provides the components of the net periodic benefit cost for the plan (in thousands):

	Year Ended December 31	
	2014	2013
Service cost	\$ 37	\$ 55
Interest cost on projected benefit obligation	556	457
Amortization	(9)	(9)
Net periodic benefit cost	<u>\$ 584</u>	<u>\$ 503</u>

The weighted-average discount rate used in the measurement of the School's benefit obligation was 4.22% and 4.61% at December 31, 2014 and 2013, respectively. The weighted-average discount rate used in the measurement of net periodic benefit cost was 4.61% and 3.75% for the years ended December 31, 2014 and 2013, respectively.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

11. Other Postretirement Benefits (continued)

For measurement purposes relative to 2014, an annual rate of increase in the per capita cost of covered health care benefits was assumed to be 8.0%, grading down to an ultimate rate of 5.0% in 2022. A 5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2014. The measurement date is December 31.

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

	2014		2013	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on total of service and interest cost components of net periodic benefit cost	\$ 6	\$ (5)	\$ 5	\$ (5)
Effect on the health care component of the accumulated benefit obligation	166	(152)	131	(121)

Cash Flows

Contributions: The School expects to contribute \$1.1 million for the postretirement medical and life insurance plan in 2015.

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

2015	\$ 1,103
2016	1,136
2017	1,140
2018	1,133
2019	1,101
2020 to 2024	4,809

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

12. Temporarily Restricted and Permanently Restricted Net Assets

Permanently restricted net assets represent endowments that have been restricted by donors to be maintained in perpetuity by the School. The School follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanently restricted contributions and net assets, effective upon New York State's enactment of the legislation in September 2010.

The School has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Accumulations to the permanent endowment are used in accordance with the direction of the applicable donor gift. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the amounts are appropriated for expenditure in accordance with a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the School and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; (6) the expected total return from income and the appreciation of investments; (7) other resources of the School; and (8) the investment and spending policies of the School. The School's policies provide the guidelines for setting the annual spend rate (5%) and the treatment of any investment returns in excess (or less than) of the annual spend rate. The endowment spend rate is calculated on the average three-year rolling market value of each endowed fund. Any excess investment returns beyond the spending rate, to the extent available, are added to the endowed fund and classified as temporarily restricted net assets, unless also appropriated for expenditure.

The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets are invested in a manner to provide that sufficient assets are available as a source of liquidity for the intended use of the funds, achieve the optimal return possible within the specified risk parameters, prudently invest assets in a high-quality diversified manner and adhere to the established guidelines.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

12. Temporarily Restricted and Permanently Restricted Net Assets (continued)

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School appropriately diversifies its assets to provide for capital preservation and inflation risk protection while maintaining market exposure.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original principal donation. These deficiencies could result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Trustees. There were no deficiencies of this nature that are reported in unrestricted net assets as of December 31, 2014 and 2013.

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

<u>Category</u>	<u>December 31, 2014</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Professorships	\$ 22,814	\$ 146,856
Faculty fellowships	16,210	18,686
Lectures and prizes	6,678	7,691
Scholarships and loans	51,710	39,880
Research centers	4,404	59,750
Research, instruction, and operations, including capital projects	234,575	121,270
	<u>\$ 336,391</u>	<u>\$ 394,133</u>

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

12. Temporarily Restricted and Permanently Restricted Net Assets (continued)

Category	December 31, 2013	
	Temporarily Restricted	Permanently Restricted
Professorships	\$ 22,648	\$ 142,936
Faculty fellowships	16,133	17,352
Lectures and prizes	6,587	7,214
Scholarships and loans	50,753	39,105
Research centers	4,384	56,435
Research, instruction, and operations, including capital projects	256,965	115,454
	<u>\$ 357,470</u>	<u>\$ 378,496</u>

Changes in endowment assets (permanent endowment and funds functioning similarly) for the years ended December 31, 2014 and 2013, were as follows (in thousands):

	Temporarily Restricted	Permanently Restricted	Total
Net assets at January 1, 2014	\$ 99,582	\$ 360,940	\$ 460,522
Total investment return	14,025	–	14,025
Contributions	–	10,242	10,242
Appropriation of endowment assets for expenditure	(13,438)	–	(13,438)
Net assets at December 31, 2014	<u>\$ 100,169</u>	<u>\$ 371,182</u>	<u>\$ 471,351</u>

	Temporarily Restricted	Permanently Restricted	Total
Net assets at January 1, 2013	\$ 73,673	\$ 346,320	\$ 419,993
Total investment return	37,779	–	37,779
Contributions	–	14,620	14,620
Appropriation of endowment assets for expenditure	(11,870)	–	(11,870)
Net assets at December 31, 2013	<u>\$ 99,582</u>	<u>\$ 360,940</u>	<u>\$ 460,522</u>

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

12. Temporarily Restricted and Permanently Restricted Net Assets (continued)

Net assets were released from restrictions in satisfaction of the following restrictions (in thousands):

	Year Ended December 31	
	2014	2013
Instruction	\$ 3,885	\$ 3,354
Research	59,503	42,449
	<u>\$ 63,388</u>	<u>\$ 45,803</u>

13. Sponsored Research

Research grants and contracts generally provide for the recovery of direct and indirect costs. The School recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is recorded using facilities and administrative rates negotiated with the federal government and other sponsors. Certain School clinical research programs are conducted in Hospital facilities. Direct expenditures under federal research projects totaled approximately \$213.6 million and \$195.7 million for the years ended December 31, 2014 and 2013, respectively. The School's principal source of federal research funds is the U.S. Department of Health and Human Services. Research grants and contracts awarded but not yet recorded approximated \$247.6 million and \$212.3 million as of December 31, 2014 and 2013, respectively.

14. Pension and Similar Plans

Through participation in the Hospital's pension plan, the School provides pension and similar benefits to administrative service employees through several defined benefit multiemployer union plans and immediate vesting tax-sheltered annuity plans. Contributions to the defined benefit multiemployer union plans are made in accordance with contractual agreements under which contributions are generally based on salaries. Payments to the tax-sheltered annuity plans are generally based on percentages of annual salaries. It is the School's policy to fund accrued costs under these plans on a current basis. The School's pension expense under all existing plans for the years ended December 31, 2014 and 2013, aggregated approximately \$33.3 million and \$28.6 million, respectively.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

14. Pension and Similar Plans (continued)

Additionally, the Hospital and the School jointly offer a 457(b) plan to certain of their respective employees. Contributions are made solely by the employees through their payroll deductions. The contributions are maintained in individual participant accounts held by a custodian and remain an asset of the employer until the participant retires. A corresponding liability is also recorded for these amounts to be reduced upon the participant's retirement. At December 31, 2014 and 2013, the School has included approximately \$37.4 million and \$32.4 million in investments and accrued salaries, wages and related liabilities in its consolidated statements of financial position related to the 457(b) plan.

15. Commitments and Contingencies

In 2010, the School entered into a \$1.0 million letter of credit and reimbursement agreement with a commercial bank pursuant to which the bank agreed to issue a direct-pay letter of credit to ensure the performance and completion guarantee in connection with the CSM building construction project. In 2013, the letter of credit was reduced to approximately \$0.1 million. No advances were made on the letter of credit as of December 31, 2014 or 2013.

Litigation

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

Operating Leases

The School leases various equipment and facilities under operating leases expiring at various dates through 2019 and thereafter. Total rental expense charged to operations during the years ended December 31, 2014 and 2013, was approximately \$17.8 million and \$18.4 million, respectively.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

15. Commitments and Contingencies (continued)

Future minimum payments required under noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2014 (in thousands):

2015	\$	13,058
2016		6,281
2017		4,018
2018		3,621
2019		3,520
2020 and thereafter		8,951
	\$	<u>39,449</u>

16. Fair Value Measurements

For assets and liabilities requiring fair value measurement, the School measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The School follows a fair value hierarchy based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

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

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

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

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

16. Fair Value Measurements (continued)

Financial assets carried at fair value by the School as of December 31, 2014, are classified in the table below in one of the three categories described above (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 57,046	\$ —	\$ —	\$ 57,046
Assets limited as to use – U.S. government obligations	–	85,442	–	85,442
Pooled investments	–	717,372	–	717,372
Other investments	368	–	20,619	20,987
	<u>\$ 57,414</u>	<u>\$ 802,814</u>	<u>\$ 20,619</u>	<u>\$ 880,847</u>

Financial assets carried at fair value by the School as of December 31, 2013, are classified in the table below in one of the three categories described above (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 79,102	\$ —	\$ —	\$ 79,102
Assets limited as to use – U.S. government obligations	–	91,783	–	91,783
Pooled investments	–	691,221	–	691,221
Other investments	882	–	26,677	27,559
	<u>\$ 79,984</u>	<u>\$ 783,004</u>	<u>\$ 26,677</u>	<u>\$ 889,665</u>

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

16. Fair Value Measurements (continued)

The following is a summary of investments (by major category) with restrictions on the investment pool's ability to redeem its investments at the measurement date, any unfunded capital commitments and investments strategies of the investees as of December 31, 2014 (in thousands):

Description of Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Funds Availability
Hedge funds:					
Long-only equity	\$ 160,584	\$ —	Monthly/annually	30 to 90 days	3 to 30 days
Hedged equity	208,936	—	Quarterly/rolling three years	45 to 60 days	30 days
Long/short credit	45,909	—	Annually	90 days	30 days
Multi-strategy	165,938	—	Quarterly/annually	45 to 90 days	30 days
Open mandate	300,245	—	Monthly/annually	60 to 180 days	15 to 30 days
Macro	114,973	—	Monthly/quarterly	30 to 90 days	30 days
Private investments:					
Equity	32,735	19,467	N/A	N/A	N/A
Credit/distressed	123,673	12,966	Monthly and N/A	30 days and N/A	180 days and N/A
Real assets	33,515	42,002	N/A	N/A	N/A
	<u>\$ 1,186,508</u>	<u>\$ 74,435</u>			

The following is a description of the School's valuation methodologies for assets measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers and brokers. Level 3 assets consist primarily of alternative investments, the valuation for which is described in Note 1. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

16. Fair Value Measurements (continued)

The following table is a rollforward of the consolidated statement of financial position amounts for financial instruments classified by the School in Level 3 of the valuation hierarchy defined above (in thousands):

	<u>Other Investments</u>
Fair value at January 1, 2013	\$ 28,855
Total realized and unrealized gains and losses	(476)
Purchases, sales, issuances and settlements, net	<u>(1,702)</u>
Fair value at December 31, 2013	<u>\$ 26,677</u>
Change in unrealized gains and losses related to financial instruments held at December 31, 2013	<u>\$ (476)</u>
Fair value at January 1, 2014	\$ 26,677
Total realized and unrealized gains and losses	6,453
Purchases, sales, issuances and settlements, net	<u>(12,511)</u>
Fair value at December 31, 2014	<u>\$ 20,619</u>
Change in unrealized gains and losses related to financial instruments held at December 31, 2014	<u>\$ 6,677</u>

The carrying values and fair values of the School's financial instruments that are not required to be carried at fair value at December 31, 2014 and 2013, are as follows (in thousands):

	<u>2014</u>		<u>2013</u>	
	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Loans receivable	\$ 83,283	\$ 83,283	\$ 76,715	\$ 76,715
Employee relocation loan program	54,816	54,816	49,668	49,668
Long-term debt, excluding capital leases	683,685	622,594	668,098	644,674

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

16. Fair Value Measurements (continued)

The fair value of loans receivable and employee relocation loans approximate carrying value as the loans generally bear interest at market rates. They are classified as Level 2 in the fair value hierarchy. The fair value of long-term debt is based on quoted market prices and is classified as Level 1 in the fair value hierarchy.

17. Multiemployer Pension Plan

The School contributes to one multiemployer defined benefit pension plan under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in the multiemployer plan are different from single-employer plans in the following aspects:

- (a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- (b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- (c) If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The School's participation in the plan for the year ended December 31, 2014, is outlined in the table below. The "EIN Number" column provides the Employer Identification Number (EIN). Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2014 and 2013 is for a plan's year end at December 31, 2013 and 2012, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuaries. Among other factors, a plan in the red zone is generally less than 65% funded, a plan in the yellow zone is less than 80% funded, and a plan in the green zone is at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates the plan for which a

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

17. Multiemployer Pension Plan (continued)

financial improvement plan (FIP) or a rehabilitation plan (RP) is pending or has been implemented. The last column lists the expiration date of the collective bargaining agreement to which the plan is subject. There have been no significant changes that affect the comparability of 2014 and 2013 contributions.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status		FIP/ RP Status Pending/ Implemented	Contributions by the School		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
			2014	2013		2014	2013		
<i>(In Thousands)</i>									
1199 SEIU Health Care Employees Pension Fund	13-3604862	001	Green as of 1/01/2014	Green as of 1/01/2013	No	\$2,597	\$2,266	No	09/30/2018

18. Subsequent Events

For purposes of the accompanying consolidated financial statements, the School has considered for accounting and disclosure events that occurred through March 31, 2015, the date the consolidated financial statements were issued. There were no subsequent events or transactions which either resulted in recognition in the accompanying consolidated financial statements or required additional disclosure.

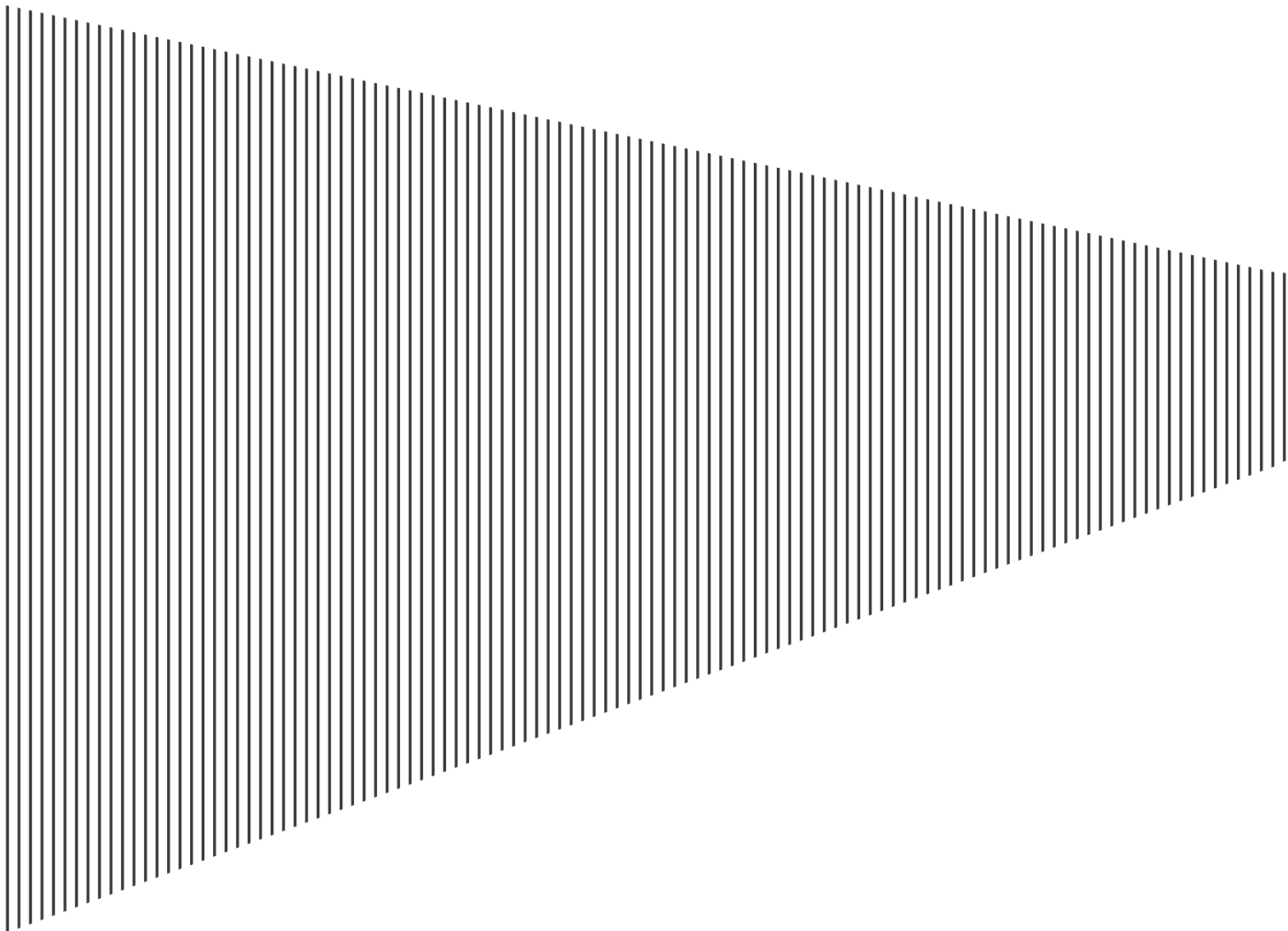
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2015 Ernst & Young LLP.
All Rights Reserved.

ey.com



[THIS PAGE INTENTIONALLY LEFT BLANK]

CONSOLIDATED FINANCIAL STATEMENTS

Icahn School of Medicine at Mount Sinai
Years Ended December 31, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP



EY

Building a better
working world

Icahn School of Medicine at Mount Sinai

Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Contents

Report of Independent Auditors.....1

Consolidated Financial Statements

Consolidated Statements of Financial Position.....3

Consolidated Statement of Activities – Year Ended December 31, 20134

Consolidated Statement of Activities – Year Ended December 31, 20125

Consolidated Statements of Cash Flows.....6

Notes to Consolidated Financial Statements.....7



Ernst & Young LLP
5 Times Square
New York, NY 10036-6530

Tel: +1 212 773 3000
Fax: +1 212 773 6350
ey.com

Report of Independent Auditors

The Board of Trustees
Icahn School of Medicine at Mount Sinai

We have audited the accompanying consolidated financial statements of the Icahn School of Medicine at Mount Sinai, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Icahn School of Medicine at Mount Sinai at December 31, 2013 and 2012, and the consolidated results of its operations and changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

March 28, 2014

Icahn School of Medicine at Mount Sinai

Consolidated Statements of Financial Position
(In Thousands)

	December 31	
	2013	2012
Assets		
Cash and cash equivalents	\$ 79,102	\$ 82,894
Patient accounts receivable, less allowance for doubtful accounts of \$50,453 and \$45,454 in 2013 and 2012, respectively	69,867	69,230
Due from New York City Health and Hospitals Corporation	7,365	10,119
Loans receivable:		
Employees, less allowances for uncollectibles of \$285 in 2013 and 2012	59,022	53,585
Students	17,693	17,729
Pledges receivable, net	130,707	118,207
Other assets	29,088	21,485
Assets limited as to use under debt financing arrangements	91,783	111,900
Professional liabilities insurance recoveries receivable	130,870	148,553
Investments, including permanently restricted investments of \$352,820 and \$338,346 in 2013 and 2012, respectively	718,780	660,690
Property, plant, and equipment, net (including net deferred financing charges)	949,649	915,430
Total assets	<u>\$ 2,283,926</u>	<u>\$ 2,209,822</u>
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 47,917	\$ 58,638
Accrued construction liabilities	5,322	9,765
Accrued salaries, wages, and related liabilities	57,538	43,735
Accrued interest payable	15,567	15,961
Deferred revenue and refundable advances	57,032	60,551
Due to related organizations, net	127,567	100,577
Federal loan capital advances	4,747	4,747
Employee relocation loan program	49,668	44,160
Postretirement health benefit obligations	11,358	12,965
Professional liabilities	130,870	148,553
Long-term debt	647,083	669,936
Total liabilities	<u>1,154,669</u>	<u>1,169,588</u>
Commitments and contingencies		
Net assets:		
Unrestricted	393,291	362,352
Temporarily restricted	357,470	315,350
Permanently restricted	378,496	362,532
Total net assets	<u>1,129,257</u>	<u>1,040,234</u>
Total liabilities and net assets	<u>\$ 2,283,926</u>	<u>\$ 2,209,822</u>

See accompanying notes

Icahn School of Medicine at Mount Sinai

Consolidated Statement of Activities

(In Thousands)

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, support and reclassifications:				
Net patient care services	\$ 598,069	\$ -	\$ -	\$ 598,069
Federal grants and contracts	277,744	-	-	277,744
Private gifts, grants, and contracts	137,670	55,934	15,964	209,568
New York City Health and Hospitals Corporation	203,031	-	-	203,031
The Mount Sinai Hospital CARTS transfer	177,588	783	-	178,371
Investment income allocated to operations	33,482	5,425	-	38,907
Royalty revenue	42,190	-	-	42,190
Tuition and fees	27,305	-	-	27,305
Other support	50,239	-	-	50,239
	<u>1,547,318</u>	<u>62,142</u>	<u>15,964</u>	<u>1,625,424</u>
Net assets released from restrictions	45,803	(45,803)	-	-
Total revenue, gains, support and reclassifications	<u>1,593,121</u>	<u>16,339</u>	<u>15,964</u>	<u>1,625,424</u>
Expenses:				
Program services:				
Patient care services	806,102	-	-	806,102
Sponsored research	250,925	-	-	250,925
Basic and clinical sciences	251,862	-	-	251,862
Scholarships	3,354	-	-	3,354
Total program services	<u>1,312,243</u>	<u>-</u>	<u>-</u>	<u>1,312,243</u>
Support services (management and general):				
General administration and support services	280,761	-	-	280,761
Total expenses	<u>1,593,004</u>	<u>-</u>	<u>-</u>	<u>1,593,004</u>
Increase in net assets before investment return earned greater than amounts allocated to operations and equity loss from related party	117	16,339	15,964	32,420
Investment return earned greater than amounts allocated to operations	38,928	25,781	-	64,709
Equity loss from related party	(8,106)	-	-	(8,106)
Increase in net assets	<u>30,939</u>	<u>42,120</u>	<u>15,964</u>	<u>89,023</u>
Net assets at beginning of year	<u>362,352</u>	<u>315,350</u>	<u>362,532</u>	<u>1,040,234</u>
Net assets at end of year	<u>\$ 393,291</u>	<u>\$ 357,470</u>	<u>\$ 378,496</u>	<u>\$ 1,129,257</u>

See accompanying notes.

Icahn School of Medicine at Mount Sinai

Consolidated Statement of Activities
(In Thousands)

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, support and reclassifications:				
Net patient care services	\$ 580,552	\$ —	\$ —	\$ 580,552
Federal grants and contracts	270,697	—	—	270,697
Private gifts, grants, and contracts	120,565	63,150	12,303	196,018
New York City Health and Hospitals Corporation	202,378	—	—	202,378
The Mount Sinai Hospital CARTS transfer	153,883	646	—	154,529
Investment income allocated to operations	31,506	5,153	—	36,659
Royalty revenue	79,985	—	—	79,985
Tuition and fees	26,377	—	—	26,377
Other support	30,337	—	—	30,337
	<u>1,496,280</u>	<u>68,949</u>	<u>12,303</u>	<u>1,577,532</u>
Net assets released from restrictions	5,416	(5,416)	—	—
Total revenue, gains, support and reclassifications	1,501,696	63,533	12,303	1,577,532
Expenses:				
Program services:				
Patient care services	749,095	—	—	749,095
Sponsored research	260,258	—	—	260,258
Basic and clinical sciences	239,482	—	—	239,482
Scholarships	3,170	—	—	3,170
Total program services	<u>1,252,005</u>	<u>—</u>	<u>—</u>	<u>1,252,005</u>
Support services (management and general):				
General administration and support services	240,736	—	—	240,736
Total expenses	<u>1,492,741</u>	<u>—</u>	<u>—</u>	<u>1,492,741</u>
Increase in net assets before investment return earned greater than amounts allocated to operations and distributions from related parties	8,955	63,533	12,303	84,791
Investment return earned greater than amounts allocated to operations	21,255	13,084	—	34,339
Distributions from related parties	147	—	—	147
Increase in net assets	<u>30,357</u>	<u>76,617</u>	<u>12,303</u>	<u>119,277</u>
Net assets at beginning of year	331,995	238,733	350,229	920,957
Net assets at end of year	<u>\$ 362,352</u>	<u>\$ 315,350</u>	<u>\$ 362,532</u>	<u>\$ 1,040,234</u>

See accompanying notes.

Icahn School of Medicine at Mount Sinai

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31	
	2013	2012
Operating activities		
Increase in net assets	\$ 89,023	\$ 119,277
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	69,205	56,367
Amortization of bond discount and premium, net	(1,336)	(1,496)
Contributions to permanently restricted net assets	(15,964)	(12,303)
Equity loss from related party	8,106	-
Change in net unrealized gains and losses on investments	(70,582)	(37,918)
Changes in operating assets and liabilities:		
Pledges receivable	(12,500)	(13,007)
Patient accounts receivable, net	(637)	(13,562)
Due to related organizations, net	18,884	(25,179)
Accounts payable and accrued expenses	(15,164)	1,110
Accrued salaries, wages and related liabilities	13,803	8,607
Employee relocation loan program	5,508	10,894
Net change in other operating assets and liabilities	(10,369)	(10,883)
Net cash provided by operating activities	<u>77,977</u>	<u>81,907</u>
Investing activities		
Net increase in loans receivable	(5,401)	(12,634)
Investments in fixed assets and projects in process	(103,424)	(147,999)
Net decrease (increase) in investments	12,492	(3,346)
Decrease in assets limited as to use under debt financing arrangements	20,117	18,447
Net cash used in investing activities	<u>(76,216)</u>	<u>(145,532)</u>
Financing activities		
Contributions to permanently restricted net assets	15,964	12,303
Proceeds from tax-exempt leasing program	-	27,610
Principal payments on long-term debt and capital lease obligations	(21,517)	(15,374)
Net cash (used in) provided by financing activities	<u>(5,553)</u>	<u>24,539</u>
Net decrease in cash and cash equivalents	(3,792)	(39,086)
Cash and cash equivalents at beginning of year	82,894	121,980
Cash and cash equivalents at end of year	<u>\$ 79,102</u>	<u>\$ 82,894</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 32,236</u>	<u>\$ 24,684</u>

See accompanying notes.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements

December 31, 2013

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The Icahn School of Medicine at Mount Sinai (the School) is a teaching and research institution that educates physicians, biomedical scientists and medical students for careers in the practice of medicine, the delivery of health care and the pursuit of medical research. It grants both MD and PhD degrees. The School is closely affiliated with The Mount Sinai Hospital (the Hospital) and its affiliates, although the School is managed separately and is a separate legal entity. The School and the Hospital share a four-block area campus on the Upper East Side of Manhattan. The accompanying consolidated financial statements include the accounts of the School and Mount Sinai Children's Center Foundation, Inc. (CCF), a not-for-profit organization formed in 1989, of which the School is the sole member, Mount Sinai Care, LLC (ACO), organized for the purpose of and operated as an accountable care organization, of which the School is the sole member, the Mitral Foundation, a not-for-profit organization formed in 2009, and Mount Sinai Foundation for Science, Health, and Empowerment (the Foundation), a not-for-profit organization formed in 2013.

On September 30, 2013, the School, the Hospital and The Mount Sinai Medical Center, Inc. (the Medical Center, and together with the School and the Hospital, the Mount Sinai Entities) consummated a transaction pursuant to which the Mount Sinai Entities and Beth Israel Medical Center (BIMC), The St. Luke's-Roosevelt Hospital Center (SLR), and the New York Eye and Ear Infirmary (NYEEI) came together to create the Mount Sinai Health System, an integrated health care system and academic medical center (the Transaction). Pursuant to the Transaction, two new not-for-profit entities were formed: Mount Sinai Health System, Inc. (MSHS) and Mount Sinai Hospitals Group, Inc. (MSHG). MSHG was formed to be the member of the Hospital, BIMC, SLR, and NYEEI. MSHS was formed to be the member of MSHG, the School and Medical Center.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. In the accompanying consolidated financial statements, estimates principally relate to the valuation of net accounts receivable, estimated professional liabilities and related insurance recoveries receivable and the carrying value of alternative investments. Management believes that the amounts recorded based on estimates and assumptions are reasonable and any

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

differences between estimates and actual should not have a material effect on the School's consolidated financial position.

Related Organizations

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

Summarized financial information for CCF is as follows (in thousands):

	December 31	
	2013	2012
Total assets	<u>\$ 1,068</u>	<u>\$ 1,141</u>
Net assets	<u>\$ 1,068</u>	<u>\$ 1,141</u>
	Year Ended December 31	
	2013	2012
Total revenue	\$ 470	\$ 773
Total expenses	543	3,695
Decrease in net assets	<u>\$ (73)</u>	<u>\$ (2,922)</u>

Cash and Cash Equivalents

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

The School has balances in financial institutions that exceed Federal depositing insurance limits. Management does not believe the credit risk related to these deposits to be significant.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Patient Accounts Receivable/Allowance for Doubtful Accounts

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

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

The School grants credit without collateral to its patients, most of whom are insured under third-party agreements. The significant concentrations of accounts receivable for services to patients include:

	December 31	
	2013	2012
Medicare	18%	18%
Medicaid	15	15
Managed care and commercial	61	60
Other	6	7
	100%	100%

Approximately 39% and 35% of the School's net patient care services revenue was from Medicare and Medicaid programs in 2013 and 2012, respectively.

Assets Limited As to Use Under Debt Financing Arrangements

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Investments

The majority of the School's investments, with the exception of real estate-related amounts due from or invested in affiliate (see Note 5) and approximately \$27.6 million and \$30.2 million at December 31, 2013 and 2012, that are separately invested funds, are in a pooled investment portfolio maintained for the benefit of the Hospital, the Medical Center and the School.

Investments consist of cash and cash equivalents, U.S. government and corporate bonds, money market funds, equity securities and interests in alternative investments. Debt securities and equity securities with readily determinable values are carried at fair value based on independent published sources (quoted market prices).

Alternative investments (nontraditional, not readily marketable securities) may consist of equity, debt and derivatives both within and outside the U.S. in multi-strategy hedge funds, event-driven strategies, global investment mandates, distressed securities and private funds. Alternative investment interests generally are structured such that the investment pool holds a limited partnership interest or an interest in an investment management company. The investment pool ownership structure does not provide for control over the related investees and the investment pool's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. Future funding commitments by members of the investment pool for alternative investments aggregated approximately \$46.2 million at December 31, 2013.

Individual investment holdings within the alternative investments include nonmarketable and market-traded debt and equity securities and interests in other alternative investments. The School may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. Alternative investments often have liquidity restrictions under which the pooled investment capital may be divested only at specified times. The liquidity restrictions range from several months to ten years for certain private equity investments. Liquidity restrictions may apply to all or portions of a particular invested amount.

Alternative investments are stated in the accompanying consolidated statements of financial position at fair value, as estimated in an unquoted market. Fair value is determined by the School's management for each investment based upon net asset values derived from the application of the equity method of accounting, as a practical expedient. Financial information used by the School to evaluate its alternative investments is provided by the respective

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the School's annual financial statement reporting.

There is uncertainty in determining fair values of alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, time lags associated with reporting by the investee companies and the subjective evaluation of liquidity restrictions. As a result, the estimated fair values reported in the accompanying consolidated statements of financial position might differ from the values that would have been used had a ready market for the alternative investment interests existed and there is at least a reasonable possibility that estimates will change.

Investment Income

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

The total investment return (investment income and realized and unrealized gains and losses) is reflected in the accompanying consolidated statements of activities in two portions. The investment return allocated to operating revenues (revenue, gains, support and reclassifications) is determined by application of a 5% normal return to a three-year average market value of investments, excluding certain permanently restricted assets and certain other funds (the annual 5% endowment spending rate). In addition, actual investment earnings on short-term funds, principally trustee-held assets for construction projects, are included in operating revenues. The investment return classified outside of operating revenues represents the difference between the actual total investment return and the amount allocated to operating revenues.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Property, Plant, and Equipment

Property, plant, and equipment, including leasehold improvements, are stated at cost; those acquired through contributions are stated at fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operating results. Annual provisions for depreciation and amortization are made based upon the straight-line method over the estimated useful life of the assets ranging from 5 to 50 years. Fixed assets are written off when they are fully depreciated and no longer in use. Depreciation expense for the years ended December 31, 2013 and 2012, was \$69.2 million and \$56.4 million, respectively.

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

Deferred Financing Charges

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

Revenue Recognition

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Contributions are reported as either temporarily or permanently restricted if they are received with donor-imposed stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions, including grants for sponsored research, whose restrictions and conditions are met within the same year as the contributions are received, are reflected in the activities of the unrestricted net asset class.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the School has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the School in perpetuity. Income earned therefrom is unrestricted or temporarily restricted based upon donors' stipulations.

Tax Status

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

The Foundation recently filed Internal Revenue Service Form 1023 for recognition of income tax exemption under Section 501(c)(3) of the Code, which is pending approval.

The ACO is a single member limited liability company that is not recognized as a separate legal entity for tax purposes. The ACO is considered to be a disregarded entity for tax purposes. As a disregarded entity, the School is subject to unrelated business income taxation should the ACO's income be derived from activities unrelated to the School's exempt purpose.

Professional Liabilities

The undiscounted estimate of professional liabilities and the estimate for incidents that have been incurred but not reported is included in the accompanying consolidated statements of financial position at the actuarially determined present value of approximately \$130.9 million based on a discount rate of 3% at December 31, 2013 (\$148.6 million at December 31, 2012). The School

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

has recorded related insurance recoveries receivable of the same amounts in consideration of expected insurance recoveries.

The School's estimate of professional liabilities is based upon complex actuarial calculations which utilize factors such as historical claims experience for the School and related industry factors, trending models, estimates for the payment patterns of future claims and present value discount factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions of estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

2. Net Patient Care Services Revenue

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

A similar arrangement exists for School physicians at Elmhurst Hospital Center (Elmhurst) and Queens Hospital Center (Queens). These receipts are used to support certain services previously funded under agreements with New York City Health and Hospitals Corporation (HHC), provide salary supplements for physicians and support the School's departmental activities at Elmhurst and Queens.

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

2. Net Patient Care Services Revenue (continued)

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

3. Pledges Receivable

Pledges receivable, representing unconditional promises to give to the School, recorded net of a present value discount (based on a range of interest rates of .13% to 8%) and valuation allowance, consist of the following (in thousands):

	December 31	
	2013	2012
Temporarily restricted	\$ 120,211	\$ 110,246
Permanently restricted	18,384	17,190
Unconditional promises to give before discount to present value and valuation allowance	138,595	127,436
Less present value discount and valuation allowance	7,888	9,229
Net pledges receivable	<u>\$ 130,707</u>	<u>\$ 118,207</u>

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

	December 31	
	2013	2012
Within one year	\$ 36,955	\$ 31,215
One to five years	88,619	70,354
More than five years	13,021	25,867
Total pledges receivable	<u>\$ 138,595</u>	<u>\$ 127,436</u>

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

3. Pledges Receivable (continued)

The School is party to a pledge agreement of \$150 million among the School, the Hospital, Carl C. Icahn (the Donor) and The Icahn Medical Research Foundation (the Icahn Foundation). The pledge will be paid by the Donor to the Icahn Foundation solely for use by the Icahn Institute of Medical Research at Mount Sinai LLC (the MRO), a single member limited liability company of which the Icahn Foundation is the sole member, to conduct research in conjunction with the School and Hospital pursuant to terms of a collaboration agreement. The purpose of the collaboration agreement and the establishment of the MRO is to enable the School, the Hospital, the Icahn Foundation and the MRO to closely cooperate in a joint effort to conduct research in the fields of genomics, multi-scale biology and related matters. The pledge is not recorded in the accompanying consolidated financial statements.

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

Pursuant to various agreements with HHC, the School provides professional, medical and other services for the operations of Elmhurst and Queens. For services provided under the agreements, the School is reimbursed for costs incurred, plus overhead, but not in excess of amounts specified in the agreements. Certain costs are funded by the operations of faculty practice group arrangements at Elmhurst and Queens, which are independent of other School programs, under a letter of understanding with HHC.

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

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

5. Related Organizations

Amounts due (to) from the School's related organizations consisted of the following (in thousands):

	December 31	
	2013	2012
The Mount Sinai Medical Center, Inc.	\$ 2,405	\$ 1,833
MSMC Realty Corporation	(20,299)	(20,299)
The Mount Sinai Hospital	(110,174)	(82,111)
8 East 102 nd Street LLC	249	-
Mount Sinai Health System, Inc.	252	-
Due to related organizations, net	\$ (127,567)	\$ (100,577)

Transactions charged (at cost) by the Hospital to the School totaled approximately \$986.0 million and \$896.1 million during the years ended December 31, 2013 and 2012, respectively. These transactions include payroll and benefits charges, approximately 91% in 2013 and 2012, of the respective totals, and approximately 9% in 2013 and 2012, related to various other shared services. Included in the benefits charges are certain employee health plan claims and premiums which are paid by the Hospital and, subsequently, charged to the School. Accordingly, the Hospital recognizes an actuarially determined liability for unreported health claims on behalf of the School. These claims are recorded as expenses in the School's consolidated statements of activities.

Additionally, the Hospital purchases professional services from the School for the clinical care of its patients, teaching and supervision of its residents, the performance of certain administrative functions, and various strategic initiatives. The Hospital paid approximately \$189.4 million and \$163.0 million in 2013 and 2012, respectively, for these services.

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

5. Related Organizations (continued)

Property and equipment contributed by the Hospital, the School and Realty Corp. were used by MSMCRRC to secure \$125.0 million in financing from a bank which was subsequently increased to \$145.0 million as part of a refinancing in 2005. The total amount received by the School of approximately \$34.4 million (comprised of \$18.2 million used to repay the School's commercial paper program and a \$16.2 million receivable after the initial financing), was based on the relative fair value of the property contributed, as compared to properties contributed by the Hospital and Realty Corp. that were part of the \$125.0 million financing.

During 2006, the School received the remaining balance of the \$16.2 million initially recorded as receivable and received additional amounts totaling \$7.6 million through December 31, 2007. At December 31, 2008, these additional amounts were settled with the School through funding provided by Realty Corp. As a result of the funding provided by Realty Corp., the School has \$20.3 million due to Realty Corp. at December 31, 2013 and 2012.

At December 31, 2008, the School had an interest in the fair value of the net assets of MSMCRRC of approximately \$21.4 million, representing the excess of the carrying value of the property contributed over the amounts received. During 2009, MSMCRRC sold certain property and the School received approximately \$42.0 million, including amounts distributed to the School by the Hospital and Realty Corp. \$21.4 million of the amount received in 2009 reduced the carried interest in the fair value of MSMCRRC net assets. During 2012, the School received approximately \$0.1 million in distributions from MSMCRRC, the Hospital and Realty Corp. (none in 2013).

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

	December 31	
	2013	2012
Total assets	\$ 103,335	\$ 100,581
Total liabilities	(150,940)	(149,867)
Net deficit	\$ (47,605)	\$ (49,286)

In December 2001, Realty Corp. entered into a \$16 million loan agreement with the New York City Industrial Development Agency (\$11.9 million and \$12.4 million outstanding balance at December 31, 2013 and 2012, respectively), which is collateralized by a bank letter of credit that is guaranteed by the School and the Medical Center. Under the terms of the debt agreements, the School is required to meet certain financial covenants. As of December 31, 2013 and 2012, the School was in compliance with these requirements.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

5. Related Organizations (continued)

Summarized financial information for Realty Corp., in which the Hospital, the School and the Medical Center are members, at December 31 is as follows (in thousands):

	December 31	
	2013	2012
Total assets	\$ 26,344	\$ 26,785
Total liabilities	(32,811)	(33,252)
Net deficit	<u>\$ (6,467)</u>	<u>\$ (6,467)</u>

During 2010, 8 East 102nd Street LLC (the Company) was formed for the sole purpose of supporting its member corporation by managing, maintaining, holding, developing, acquiring or disposing of real property for its benefit. The Company's sole member is 8 East 102nd Street Manager LLC (the Manager). The members of the Manager are the Hospital, the School and the Medical Center. Through December 31, 2013, the School transferred approximately \$138 million in capital expenditures for a residential tower project to the Company, which financed and owns a portion of the project.

On November 1, 2013, the members of the Manager, together with certain other persons, amended and restated the operating agreement of the Manager and elected for the Manager to be taxed as a real estate investment trust (the REIT) for U.S. Federal income tax purposes, effective January 1, 2014. As a result, the members will own 99% of the partnership units of the REIT; 125 investors each purchased preferred shares of the Manager for \$1,000 each.

The School, the Hospital and the Medical Center, as members of the Manager, have agreed to distribute the net activities of the Manager (which, as the sole member of the Company, reflects the net activities of the Company) solely to the School. This agreement includes equity in income or loss of the Manager, as well as cash distributions. Accordingly, in the accompanying financial statements, the School has recognized equity in loss of related party of approximately \$8.1 million, related to the accumulated net deficit of the Manager as of December 31, 2013. In 2013, the Manager distributed to the Hospital, the School and the Medical Center approximately \$1.8 million of cash derived from the net activities of the Company; the total amount was ultimately transferred to the School.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

5. Related Organizations (continued)

Summarized financial information for the Company is as follows at December 31 (in thousands):

	December 31	
	2013	2012
Total assets	\$ 136,827	\$ 145,819
Total liabilities	(146,733)	(149,070)
Accumulated deficit	\$ (9,906)	\$ (3,251)

6. Investments

Total investments for the School are maintained as follows (in thousands):

	December 31	
	2013	2012
Pooled investments	\$ 691,221	\$ 630,518
Non-pooled investments (marketable and nonmarketable, net)	27,559	30,172
	\$ 718,780	\$ 660,690

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

6. Investments (continued)

The School's allocation of pooled investment holdings as of December 31, 2013 and 2012, is summarized as follows (in thousands):

	December 31	
	2013	2012
Cash and cash equivalents	\$ 14,878	\$ 5,977
Fixed income:		
Corporate bonds	8,866	13,716
U.S. government	102	117
Equities:		
U.S. equities	43,819	31,630
Global equities	16,619	–
Non-U.S. equities	46,592	16,073
Alternative investments:		
Hedge funds:		
Long-only equity	54,349	32,316
Hedged equity ^(a)	100,493	94,926
Long/short credit ^(b)	21,254	33,941
Multi-strategy ^(c)	76,780	73,053
Open mandate ^(d)	143,661	130,956
Macro ^(e)	62,105	69,327
Real assets ^(f)	–	17,991
Private equity:		
Equity ^(g)	21,585	28,776
Credit/distressed ^(h)	68,743	66,925
Real assets ⁽ⁱ⁾	11,375	14,794
	\$ 691,221	\$ 630,518

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

6. Investments (continued)

The following table summarizes the composition of the total investment pool at carrying value (in thousands); the School's interests in the pooled investment components are proportionate based on the ratio of its pooled investment balance to the total of the pool.

	December 31	
	2013	2012
Cash and cash equivalents	\$ 29,779	\$ 11,060
Fixed income:		
Corporate bonds	17,745	25,380
U.S. government	204	216
Equities:		
U.S. equities	87,704	58,530
Global equities	33,265	–
Non-U.S. equities	93,259	29,742
Alternative investments:		
Hedge funds:		
Long-only equity	108,785	59,800
Hedged equity ^(a)	201,144	175,656
Long/short credit ^(b)	42,541	62,807
Multi-strategy ^(c)	153,681	135,181
Open mandate ^(d)	287,546	242,331
Macro ^(e)	124,308	128,287
Real assets ^(f)	–	33,291
Private equity:		
Equity ^(g)	43,204	53,249
Credit/distressed ^(h)	137,594	123,843
Real assets ⁽ⁱ⁾	22,768	27,375
	\$ 1,383,527	\$ 1,166,748

^(a) Investments consisting primarily of publicly traded equity holdings with both long and short positions.

^(b) Investments consisting primarily of publicly traded credit holdings with both long and short positions.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

6. Investments (continued)

- (c) Investments with lower correlations to stock and bond markets with a balanced mix of assets and strategies. Underlying exposures primarily include publicly traded equity and credit positions in event-driven, relative value and various arbitrage strategies.
- (d) Investments with lower correlations to stock and bond markets. Underlying exposures primarily include publicly traded equity and credit positions with a fundamental value bias. Portfolios may reflect a tilt towards equity or credit positions, involve portfolio level hedging, and hold large cash positions if value opportunities are not found.
- (e) Investments focused on global macro dislocations rather than micro driven opportunities. Holdings are both long and short in equity, fixed income, currency, and futures markets.
- (f) Investments in publicly traded commodity linked exposures.
- (g) Investments targeting buyout and growth equity opportunities that require time to reach realization.
- (h) Investments in structured credit, claims, distressed positions of either a minority or controlling interest that require time to reach realization.
- (i) Real estate and natural resources investments that require time to reach realization.

The return on pooled investments comprises the following for the years ended December 31 (in thousands):

	Year Ended December 31	
	2013	2012
Interest and dividend income	\$ 3,605	\$ 2,465
Net realized gains on sales of securities	50,766	49,184
Change in net unrealized gains and losses	130,242	66,822
Fees and other expenses	(3,768)	(2,597)
Total	<u>\$ 180,845</u>	<u>\$ 115,874</u>

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

6. Investments (continued)

The School was allocated a total return from the pool based on agreements among the pool participants and donor stipulations of approximately \$102.9 million and \$70.4 million for 2013 and 2012, respectively.

Total investment returns recognized by the School include amounts allocated by the Hospital and comprise the following (in thousands):

	Year Ended December 31	
	2013	2012
Interest and dividend income	\$ 2,427	\$ 1,528
Net realized gains on sales of securities	28,987	29,274
Change in net unrealized gains and losses	70,582	37,918
Total return allocated by the Hospital	4,054	3,889
Fees and other expenses	(2,434)	(1,611)
Total	\$ 103,616	\$ 70,998

7. Property, Plant, and Equipment

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

	December 31	
	2013	2012
Land	\$ 11,012	\$ 11,012
Buildings and improvements	1,005,791	502,522
Furniture, fixtures, and equipment	298,252	273,884
Leasehold interest and improvements	171,991	171,991
Deferred financing charges, net	10,593	11,676
	1,497,639	971,085
Less accumulated depreciation and amortization	(587,749)	(518,544)
	909,890	452,541
Capital projects in progress	39,759	462,889
	\$ 949,649	\$ 915,430

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

7. Property, Plant, and Equipment (continued)

During 2013, approximately \$489 million of project costs were placed into service for the completion of the Leon and Norma Hess Center for Science and Medicine (CSM).

The School has entered into lease agreements with the Hospital relating to portions of the School-owned Icahn Medical Institute and the Center for Advanced Medicine (CAM) which are used by the Hospital. The School has reflected the amount paid by the Hospital related to its leasehold interests (\$11.8 million and \$4.7 million for each building, respectively) as a reduction of its cost. Additionally, the Hospital pays the School for its share of operating expenses under the terms of the lease agreements as follows (in thousands):

	Year Ended December 31	
	2013	2012
	<hr/>	<hr/>
Icahn Medical Institute	\$ 4,796	\$ 4,984
Center for Advanced Medicine	2,840	2,842
	<hr/> \$ 7,636 <hr/>	<hr/> 7,826 <hr/>

Future minimum rental payments due from the Hospital under the leases are approximately \$7.4 million in 2014, \$7.2 million in 2015, \$7.0 million in 2016, \$6.8 million in 2017, \$6.6 million in 2018 and \$66.6 million thereafter.

Assets under capital leases approximate \$15.5 million and \$15.3 million at December 31, 2013 and 2012, respectively, and are included in furniture, fixtures and equipment (\$4.8 million and \$6.2 million for 2013 and 2012 respectively, net of accumulated amortization).

The School capitalizes costs incurred in connection with the development of internal-use software or purchased software modified for internal use. The costs are amortized over estimated useful lives ranging from five to seven years. At December 31, 2013 and 2012, total capitalized costs of approximately \$12.2 million and \$15.4 million, respectively, net of accumulated amortization, are included in furniture, fixtures, and equipment.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt and Related Assets

At December 31, 2013 and 2012, the School had outstanding long-term debt used to finance a variety of projects, including a modernization and capital improvement program, the construction of CSM, the Icahn Medical Institute and the CAM. Outstanding long-term debt comprised the following (in thousands):

	December 31	
	2013	2012
Dormitory Authority of the State of New York (the Authority) debt consisting of:		
• Bonds payable (including unamortized original issue premium of \$4,718); maturing through 2021 with interest rates varying from 4.00% to 5.00% per annum. (Series 2010A bonds)	\$ 80,609	\$ 89,343
• Bonds payable (including unamortized original issue discount of \$3,491); maturing through 2039 with interest rates varying from 4.00% to 5.50% per annum. (Series 2009 bonds)	366,424	366,219
• Bonds payable (including unamortized original issue premium of \$3,459); maturing through 2037 with interest rates varying from 4.00% to 5.00% per annum. (Series 2007 bonds)	119,633	120,745
• Bonds payable (including unamortized original issue premium of \$162); maturing through 2015 with interest rates varying from 3.25% to 5.25% per annum. (Series 2003 bonds)	15,517	22,829
• Bonds payable (net of unamortized original issue discount of \$222); maturing through 2024 with interest rates varying from 5.00% to 5.15% per annum. (Series 1994A bonds)	39,353	39,329
• Authority tax-exempt leasing program loans due in monthly installments of \$397, with interest rate of 1.135% through December 2018	23,138	27,610
Capital leases, monthly installments of \$40 through 2017	2,409	3,861
	\$ 647,083	\$ 669,936

During 2012, the School entered into a tax-exempt leasing program with the Authority as the lessee and Bank of America Public Capital Corp. as the lessor for approximately \$27.6 million, with the intention for the proceeds to be used to finance research and clinical equipment. Proceeds from the leasing program were deposited into an escrow account which will be reimbursed to the School as approved capital expenditures are incurred. The amount on deposit of \$7.5 million at December 31, 2013 is included in assets limited as to use under debt financing arrangements in the accompanying statements of financial position (\$27.6 million at December 31, 2012).

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

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

At December 31, 2013, the School has commitments of approximately \$41.8 million related to capital projects.

During 2013, the School transferred approximately \$21.5 million in capital expenditures to the Hospital for the CSM and Residential Tower project (\$49.2 million in 2012). The School intends to transfer an additional \$4.1 million to the Hospital in 2014. The School will record the Hospital's leasehold interest as a reduction in cost.

In connection with its long-term debt, the School has agreed to maintain certain financial ratios, including a debt service coverage ratio. At December 31, 2013 and 2012, the School was in compliance with the required financial ratios.

As of December 31, 2013, principal payments under long-term indebtedness and future minimum payments under capitalized leases for the next five fiscal years and thereafter are as follows (in thousands):

	Long-Term Debt	Capitalized Leases
2014	\$ 20,903	\$ 1,239
2015	21,690	810
2016	23,197	421
2017	24,155	77
2018	25,143	—
Thereafter	524,960	—
	640,048	2,547
Interest	—	(138)
	\$ 640,048	\$ 2,409

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

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

Interest expense for all debt aggregated approximately \$31.1 million and \$12.1 million for the years ended December 31, 2013 and 2012, respectively. Capitalized interest of \$0.9 million and \$19.6 million was recorded for the years ended December 31, 2013 and 2012, respectively.

Assets limited as to use under debt financing arrangements (primarily U.S. Government obligations) consisted of (in thousands):

	December 31	
	2013	2012
Construction proceeds funds	\$ 7,516	\$ 27,712
Debt service reserve funds	60,350	60,391
Debt service funds	23,917	23,795
Capital interest funds	-	2
	<u>\$ 91,783</u>	<u>\$ 111,900</u>

9. Perkins Loan Program

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

10. Employee Relocation Loan Program

The School maintains an employee relocation loan program whereby the School participates in a portion of the financing of the primary residence mortgage of eligible faculty members. All taxes, insurance and repair and maintenance costs of the residence are the responsibility of the

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

10. Employee Relocation Loan Program (continued)

faculty members. If the faculty member's employment is terminated before the mortgage is repaid, the faculty member may purchase the School's share of the equity and assume the remainder of the School's mortgage obligation on the property, or the residence will be sold in accordance with the employee relocation loan program agreement and the School will be entitled to a portion of the proceeds. The School's participation in this program aggregated approximately \$49.7 million and \$44.2 million at December 31, 2013 and 2012, respectively.

11. Other Postretirement Benefits

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

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

The School recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its retiree benefits, with a corresponding adjustment to unrestricted net assets for the portion of the unfunded liability that has not been recognized as cost. The adjustment to unrestricted net assets represents the net unrecognized actuarial losses and unrecognized prior service cost, which will be recognized subsequently as a component of net periodic benefit cost through amortization.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

11. Other Postretirement Benefits (continued)

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

	December 31	
	2013	2012
Reconciliation of the benefit obligation		
Obligation at January 1	\$ 12,965	\$ 12,940
Service cost	55	61
Interest cost	457	532
Actuarial (gain) loss	(991)	298
Benefit payments	(1,128)	(866)
Obligation at December 31	<u>\$ 11,358</u>	<u>\$ 12,965</u>
Funded status		
Funded status at December 31	<u>\$ 11,358</u>	<u>\$ 12,965</u>
Net amount recognized	<u>\$ 11,358</u>	<u>\$ 12,965</u>

The following table provides the components of the net periodic benefit cost for the plan (in thousands):

	Year Ended December 31	
	2013	2012
Service cost	\$ 55	\$ 61
Interest cost on projected benefit obligation	457	532
Amortization	(9)	70
Net periodic benefit cost	<u>\$ 503</u>	<u>\$ 663</u>

The weighted-average discount rate used in the measurement of the School's benefit obligation was 4.61% and 3.75% at December 31, 2013 and 2012, respectively. The weighted-average discount rate used in the measurement of net periodic benefit cost was 3.75% and 4.4% for the years ended December 31, 2013 and 2012, respectively.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

11. Other Postretirement Benefits (continued)

For measurement purposes relative to 2013, an annual rate of increase in the per capita cost of covered health care benefits was assumed to be 7.6%, grading down to an ultimate rate of 5.0% in 2017. A 5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2013. The measurement date is December 31.

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

	2013		2012	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	<i>(In Thousands)</i>			
Effect on total of service and interest cost components of net periodic benefit cost	\$ 5	\$ (5)	\$ 7	\$ (6)
Effect on the health care component of the accumulated benefit obligation	131	(121)	159	(146)

Cash Flows

Contributions: The School expects to contribute \$1.0 million for the postretirement medical and life insurance plan in 2014.

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

2014	\$ 1,066
2015	1,089
2016	1,094
2017	1,082
2018	1,050
2019 to 2023	4,531

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

12. Temporarily Restricted and Permanently Restricted Net Assets

Permanently restricted net assets represent endowments that have been restricted by donors to be maintained in perpetuity by the School. The School follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanently restricted contributions and net assets, effective upon New York State's enactment of the legislation in September 2010.

The School has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Accumulations to the permanent endowment are used in accordance with the direction of the applicable donor gift. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the amounts are appropriated for expenditure in accordance with a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the School and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; (6) the expected total return from income and the appreciation of investments; (7) other resources of the School; and (8) the investment and spending policies of the School. The School's policies provide the guidelines for setting the annual spend rate (5%) and the treatment of any investment returns in excess of the annual spend rate. The endowment spend rate is calculated on the average three-year rolling market value of each endowed fund. Any excess investment returns beyond the spending rate, to the extent available, are added to the endowed fund and classified as temporarily restricted net assets, unless also appropriated for expenditure.

The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets are invested in a manner to provide that sufficient assets are available as a source of liquidity for the intended use of the funds, achieve the optimal return possible within the specified risk parameters, prudently invest assets in a high-quality diversified manner and adhere to the established guidelines.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

12. Temporarily Restricted and Permanently Restricted Net Assets (continued)

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School appropriately diversifies its assets to provide for capital preservation and inflation risk protection while maintaining market exposure.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original principal donation. These deficiencies could result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Trustees. There were no deficiencies of this nature that are reported in unrestricted net assets as of December 31, 2013 and 2012.

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

Category	December 31, 2013	
	Temporarily Restricted	Permanently Restricted
Professorships	\$ 22,648	\$ 142,936
Faculty fellowships	16,133	17,352
Lectures and prizes	6,587	7,214
Scholarships and loans	50,753	39,105
Research centers	4,384	56,435
Research, instruction, and operations, including capital projects	256,965	115,454
	\$ 357,470	\$ 378,496

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

12. Temporarily Restricted and Permanently Restricted Net Assets (continued)

Category	December 31, 2012	
	Temporarily Restricted	Permanently Restricted
Professorships	\$ 14,600	\$ 135,266
Faculty fellowships	13,143	17,368
Lectures and prizes	5,330	6,923
Scholarships and loans	42,880	36,219
Research centers	2,524	56,434
Research, instruction, and operations, including capital projects	236,873	110,322
	<u>\$ 315,350</u>	<u>\$ 362,532</u>

Changes in endowment assets (permanent endowment and funds functioning similarly) for the years ended December 31, 2013 and 2012, were as follows (in thousands):

	Temporarily Restricted	Permanently Restricted	Total
Net assets at January 1, 2013	\$ 73,673	\$ 346,320	\$ 419,993
Total investment return	37,779	–	37,779
Contributions	–	14,620	14,620
Appropriation of endowment assets for expenditure	(11,870)	–	(11,870)
Net assets at December 31, 2013	<u>\$ 99,582</u>	<u>\$ 360,940</u>	<u>\$ 460,522</u>

	Temporarily Restricted	Permanently Restricted	Total
Net assets at January 1, 2012	\$ 60,624	\$ 330,023	\$ 390,647
Total investment return	24,040	–	24,040
Contributions	–	16,297	16,297
Appropriation of endowment assets for expenditure	(10,991)	–	(10,991)
Net assets at December 31, 2012	<u>\$ 73,673</u>	<u>\$ 346,320</u>	<u>\$ 419,993</u>

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

12. Temporarily Restricted and Permanently Restricted Net Assets (continued)

Net assets were released from restrictions in satisfaction of the following restrictions (in thousands):

	Year Ended December 31	
	2013	2012
Instruction	\$ 3,354	\$ 3,170
Research	42,449	2,246
	<u>\$ 45,803</u>	<u>\$ 5,416</u>

13. Sponsored Research

Research grants and contracts generally provide for the recovery of direct and indirect costs. The School recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is recorded using facilities and administrative rates negotiated with the federal government and other sponsors. Certain School clinical research programs are conducted in Hospital facilities. Direct expenditures under federal research projects totaled approximately \$195.7 million and \$193.6 million for the years ended December 31, 2013 and 2012, respectively. The School's principal source of federal research funds is the U.S. Department of Health and Human Services. Research grants and contracts awarded but not yet recorded approximated \$212.3 million and \$205.3 million as of December 31, 2013 and 2012, respectively.

14. Pension and Similar Plans

Through participation in the Hospital's pension plan, the School provides pension and similar benefits to administrative service employees through several defined benefit multiemployer union plans and immediate vesting tax-sheltered annuity plans. Contributions to the defined benefit multiemployer union plans are made in accordance with contractual agreements under which contributions are generally based on salaries. Payments to the tax-sheltered annuity plans are generally based on percentages of annual salaries. It is the School's policy to fund accrued costs under these plans on a current basis. The School's pension expense under all existing plans for the years ended December 31, 2013 and 2012 aggregated approximately \$28.6 million and \$28.7 million, respectively.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

14. Pension and Similar Plans (continued)

Additionally, the Hospital and the School jointly offer a 457(b) plan to certain of their respective employees. Contributions are made solely by the employees through their payroll deductions. The contributions are maintained in individual participant accounts held by a custodian and remain an asset of the employer until the participant retires. A corresponding liability is also recorded for these amounts to be reduced upon the participant's retirement. At December 31, 2013 and 2012, the School has included approximately \$32.4 million and \$24.8 million in investments and accrued salaries, wages and related liabilities in its consolidated statements of financial position related to the 457(b) plan.

15. Commitments and Contingencies

In 2010 and 2011, the School entered into multiple letters of credit and reimbursement agreements with a commercial bank for a combined total of approximately \$0.6 million and \$2.7 million, respectively. The bank agreed to issue direct-pay letters of credit for litigation costs that might be incurred by the School concerning infringement of a patent owned by the School. No advances were made on the letters of credit. The litigation was settled on May 9, 2012, resulting in favorable judgment for the School in the amount of \$46.5 million, which is recorded in the accompanying consolidated financial statements in royalty revenue. The letters of credit were released upon the litigation settlement.

In 2010, the School entered into a \$1.0 million letter of credit and reimbursement agreement with a commercial bank pursuant to which the bank agreed to issue a direct-pay letter of credit to ensure the performance and completion guarantee in connection with the CSM building construction project. In 2013, the letter of credit was reduced to \$0.1 million. No advances were made on the letter of credit as of December 31, 2013 or 2012.

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

Operating Leases

The School leases various equipment and facilities under operating leases expiring at various dates through 2018 and thereafter. Total rental expense charged to operations during the years ended December 31, 2013 and 2012, was approximately \$18.4 million and \$17.4 million, respectively.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

15. Commitments and Contingencies (continued)

Future minimum payments required under noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2013 (in thousands):

2014	\$	12,547
2015		7,133
2016		3,797
2017		2,867
2018		2,725
2019 and thereafter		8,248
	\$	<u>37,317</u>

16. Fair Value Measurements

For assets and liabilities requiring fair value measurement, the School measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The School follows a fair value hierarchy based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

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

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

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

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

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

16. Fair Value Measurements (continued)

Financial assets carried at fair value by the School as of December 31, 2013, are classified in the table below in one of the three categories described above (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 93,980	\$ —	\$ —	\$ 93,980
Assets limited as to use –				
U.S. government obligations	—	91,783	—	91,783
Fixed income:				
Corporate bonds	8,866	—	—	8,866
U.S. government	102	—	—	102
Equities:				
U.S. equities	43,819	—	—	43,819
Global equities	16,619	—	—	16,619
Non-U.S. equities	27,447	19,145	—	46,592
Alternative investments:				
Hedge funds:				
Long only equity	—	40,247	14,102	54,349
Hedged equity	—	82,566	17,927	100,493
Long/short credit	—	21,254	—	21,254
Multi-strategy	—	76,780	—	76,780
Open mandate	—	143,661	—	143,661
Macro	—	62,105	—	62,105
Private equity:				
Equity	—	—	21,585	21,585
Credit/distressed	—	—	68,743	68,743
Real assets	—	—	11,375	11,375
Other investments	882	—	26,677	27,559
	<u>\$ 191,715</u>	<u>\$ 537,541</u>	<u>\$ 160,409</u>	<u>\$ 889,665</u>

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

16. Fair Value Measurements (continued)

Financial assets carried at fair value by the School as of December 31, 2012, are classified in the table below in one of the three categories described above (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 88,871	\$ —	\$ —	\$ 88,871
Assets limited as to use –				
U.S. government obligations	–	111,900	–	111,900
Fixed income:				
Corporate bonds	13,716	–	–	13,716
U.S. government	117	–	–	117
Equities:				
U.S. equities	31,630	–	–	31,630
Non-U.S. equities	–	16,073	–	16,073
Alternative investments:				
Hedge funds:				
Long only equity	–	32,316	–	32,316
Hedged equity	–	79,252	15,674	94,926
Long/short credit	–	33,941	–	33,941
Multi-strategy	–	73,053	–	73,053
Open mandate	–	130,956	–	130,956
Macro	–	69,327	–	69,327
Real assets	–	–	17,991	17,991
Private equity:				
Equity	–	–	28,776	28,776
Credit/distressed	–	–	66,925	66,925
Real assets	–	–	14,794	14,794
Other investments	1,317	–	28,855	30,172
	<u>\$ 135,651</u>	<u>\$ 546,818</u>	<u>\$ 173,015</u>	<u>\$ 855,484</u>

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

16. Fair Value Measurements (continued)

The following is a summary of investments (by major category) with restrictions on the investment pool's ability to redeem its investments at the measurement date, any unfunded capital commitments and investments strategies of the investees as of December 31, 2013 (in thousands):

Description of Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Funds Availability
Hedge funds:					
Long-only equity	\$ 108,785	\$ —	Quarterly/annually	30 to 90 days	30 days
Hedged equity	201,144	—	Quarterly/rolling three years	45 to 60 days	30 days
Long/short credit	42,541	—	Quarterly/annually	90 days	30 days
Multi-strategy	153,681	—	Quarterly/annually	45 to 90 days	30 days
Open mandate	287,546	—	Monthly/annually	60 to 180 days	15 to 30 days
Macro	124,308	—	Monthly/quarterly	30 to 90 days	20 to 30 days
Private investments:					
Equity	43,204	18,072	N/A	N/A	N/A
Credit/distressed	137,594	26,579	N/A	N/A	N/A
Real assets	22,768	1,580	N/A	N/A	N/A
	<u>\$ 1,121,571</u>	<u>\$ 46,231</u>			

The following is a description of the School's valuation methodologies for assets measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers. Level 3 assets consist primarily of alternative investments, the valuation for which is described in Note 1. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

16. Fair Value Measurements (continued)

The following table is a rollforward of the consolidated statement of financial position amounts for financial instruments classified by the School in Level 3 of the valuation hierarchy defined above (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Alternative Investments	Other Investments	Total
Fair value at January 1, 2012	\$ 111,344	\$ 24,438	\$ 135,782
Total realized and unrealized gains and losses	14,155	4,667	18,822
Purchases, sales, issuances and settlements, net	18,661	(250)	18,411
Fair value at December 31, 2012	<u>\$ 144,160</u>	<u>\$ 28,855</u>	<u>\$ 173,015</u>
Change in unrealized gains and losses related to financial instruments held at December 31, 2012	\$ 4,283	\$ 4,667	\$ 8,950
Fair value at January 1, 2013	\$ 144,160	\$ 28,855	\$ 173,015
Total realized and unrealized gains and losses	18,967	(2,254)	16,713
Purchases, sales, issuances and settlements, net	(29,395)	76	(29,319)
Fair value at December 31, 2013	<u>\$ 133,732</u>	<u>\$ 26,677</u>	<u>\$ 160,409</u>
Change in unrealized gains and losses related to financial instruments held at December 31, 2013	\$ 10,738	\$ (2,254)	\$ 8,484

The carrying values and fair values of the School's financial instruments that are not required to be carried at fair value at December 31, 2013 and 2012, are as follows (in thousands):

	2013		2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Loans receivable	\$ 76,715	\$ 76,715	\$ 71,314	\$ 71,314
Employee relocation loan program	49,668	49,668	44,160	44,160
Long-term debt, excluding capital leases	668,098	644,674	679,248	666,075

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

16. Fair Value Measurements (continued)

The fair value of loans receivable and employee relocation loans approximate carrying value as the loans generally bear interest at market rates. They are classified as Level 2 in the fair value hierarchy. The fair value of long-term debt is based on quoted market prices and is classified as Level 1 in the fair value hierarchy.

17. Multiemployer Pension Plan

The School contributes to one multiemployer defined benefit pension plan under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in the multiemployer plan are different from single-employer plans in the following aspects:

- (a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- (b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- (c) If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The School's participation in the plan for the year ended December 31, 2013, is outlined in the table below. The "EIN Number" column provides the Employer Identification Number (EIN). Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2013 and 2012 is for a plan's year end at December 31, 2012 and 2011, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuaries. Among other factors, a plan in the red zone is generally less than 65% funded, a plan in the yellow zone is less than 80% funded, and a plan in the green zone is at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates the plan for which a

Icahn School of Medicine at Mount Sinai

Notes to Consolidated Financial Statements (continued)

17. Multiemployer Pension Plan (continued)

financial improvement plan (FIP) or a rehabilitation plan (RP) is pending or has been implemented. The last column lists the expiration date of the collective bargaining agreement to which the plan is subject. There have been no significant changes that affect the comparability of 2013 and 2012 contributions.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status		FIP/ RP Status Pending/ Implemented	Contributions by the School		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
			2013	2012		2013	2012		
<i>(In Thousands)</i>									
1199 SEIU Health Care Employees Pension Fund	13-3604862	001	Green as of 1/01/2013	Green as of 1/01/2012	No	\$2,266	\$2,029	No	04/30/2015

18. Subsequent Events

For purposes of the accompanying consolidated financial statements, the School has considered for accounting and disclosure events that occurred through March 28, 2014, the date the consolidated financial statements were issued. There were no subsequent events or transactions which either resulted in recognition in the accompanying consolidated financial statements or required additional disclosure.

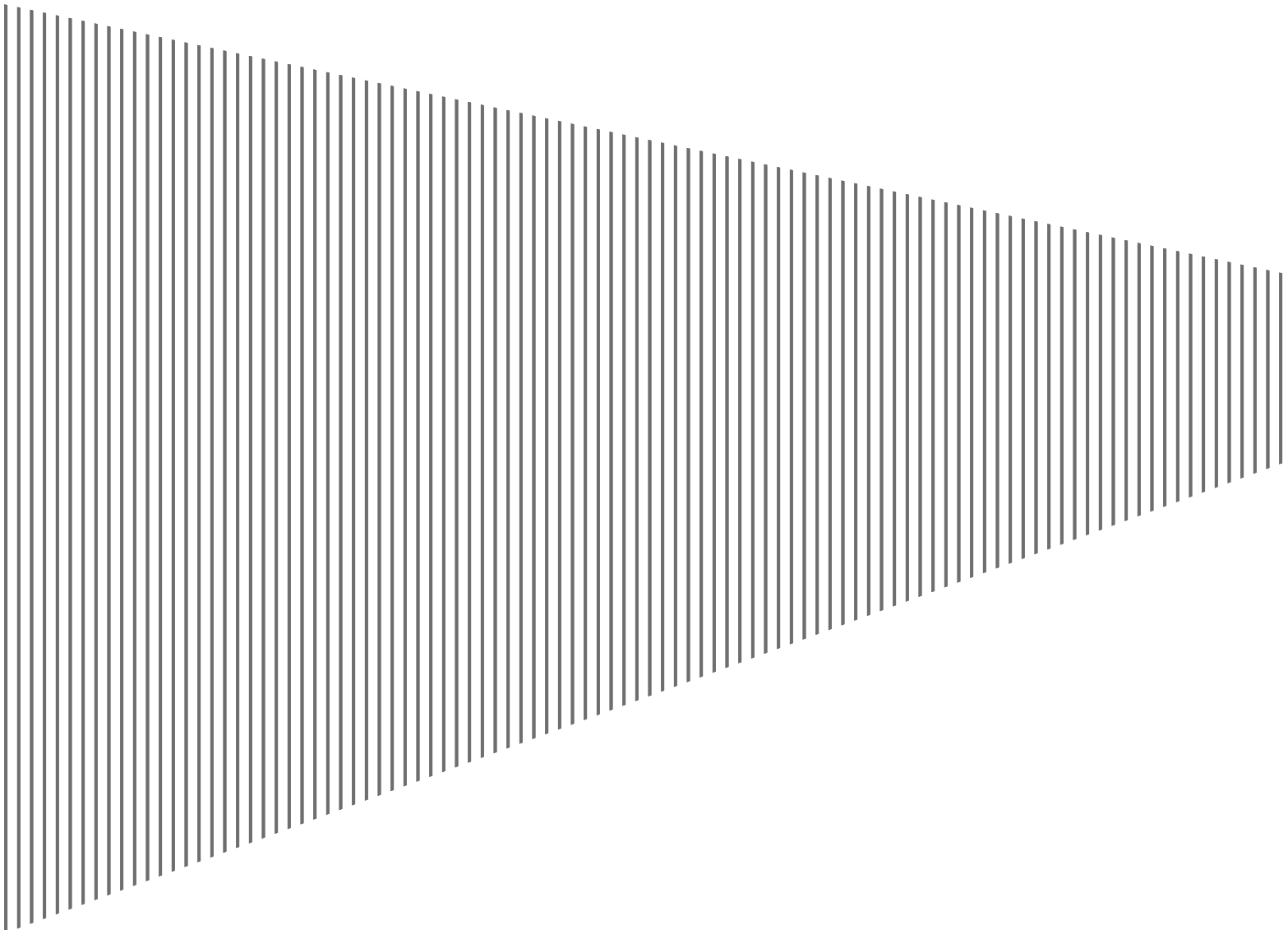
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2014 Ernst & Young LLP.
All Rights Reserved.

ey.com



APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2015 Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

Termination

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

(Section 45)

Construction of the Project

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

The Authority's obligation to make each disbursement of proceeds of the Series 2015 Bonds under the Loan Agreement is subject to the condition that the title insurance company that has issued a title insurance policy insuring the validity of the lien of the Mortgage (the "Title Company") shall have continued its title search to the date of such disbursement and shall have certified to the Authority that such continuation discloses that, as of the date of such disbursement, there are no liens, security interests, encumbrances or other exceptions to title then affecting the Mortgaged Property, except for Permitted Liens. If requested by the Authority, the Title Company shall also have advised the Authority that a search of the public records of the county in which any Mortgaged Property is located discloses as of such date no conditional sales contracts, chattel mortgages, leases of personalty, financing statements or title retention agreements filed or recorded against the Institution or the Project, except for Permitted Liens.

(Section 5)

Amendment of the Project; Additional Bonds

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

moneys in the Construction Fund established for such Project, whether such moneys are required as a result of an increase in the scope of the Project or otherwise.

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

(Section 6)

Financial Obligations

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

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

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

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

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

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

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

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

(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 by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, (iv) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all the provisions of the Loan Agreement or of the Mortgage or of the Resolution in accordance with the terms thereof, (v) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution, and (vi) to restore a Debt Service Reserve Fund to its Debt Service Reserve Fund Requirement;

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

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

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Institution shall receive a credit against the amount required to be paid by the Institution during a Bond Year pursuant to paragraph (d) above on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through any Sinking Fund Installments during the next succeeding Bond Year, either (i) the Institution delivers to the Trustee for cancellation one or more Bonds and maturity to be so redeemed or (ii) the Trustee, at the direction of the Authority, has purchased one or more Bonds and maturity to be so redeemed from amounts on deposit in the Debt Service Fund in accordance with the Resolution during such Bond Year. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

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

Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this paragraph), all moneys paid by the Institution to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee shall be applied subject, if necessary, to application in accordance with the Intercreditor Agreement, in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the

principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the applicable provisions of the Resolution. Except as otherwise provided in the Resolution, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of Bonds.

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

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

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

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

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

(Section 9)

Security Interest in Pledged Revenues

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

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

(Section 11)

Collection of Pledged Revenues

Commencing on the date on which the Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Institution shall deliver to the Trustee for deposit in accordance with the Resolution all Pledged Revenues (other than the amounts subject to the Prior Pledges) within ten (10) days following the Institution's receipt thereof unless and until there is on deposit in the Debt Service Fund an amount at least equal to the sum of (i) the interest coming due on or prior to the earlier of the next succeeding January 1 or July 1, plus one percent (1%) per annum, (ii) the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding July 1, and (iii) the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased and accrued interest thereon to the date of redemption or purchase. In the event that, pursuant to the Loan Agreement, the Authority notifies the Institution that account debtors are to make payments directly to the Authority or to the Trustee, such payments shall be made directly to the Authority or the Trustee notwithstanding anything contained in this subdivision, but the Institution shall continue to deliver to the Trustee for deposit in accordance with the Resolution any payments received by the Institution with respect to the Pledged Revenues (other than such amounts as are subject to the Prior Pledges).

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

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

(Section 12)

Mortgage; Lien on Fixtures, Furnishings and Equipment

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

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

The Authority shall exclude from the lien of the Mortgage any inventory, equipment or other collateral financed by a purchase money equipment lender or an equipment lessor of the Institution (each, an "Equipment Lender") (such excluded inventory, equipment or other collateral, the "Excluded Collateral"). In addition, the Authority shall execute and deliver, at the request of an Equipment Lender, a commercially reasonable consent, waiver and agreement providing for (i) a waiver by the Authority of its rights, if any, to such Excluded Collateral and (ii) the respective rights of the Authority and the Equipment Lender regarding the timing and removal of any Excluded Collateral in which such Equipment Lender has a secured interest so long as such consent, waiver and agreement expressly excludes any claim by the Equipment Lender to any right, title or interest in or to any of the other inventory, equipment or other collateral encumbered by the Mortgage.

(Section 13)

Warranty of Title; Utilities and Access

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

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

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

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

The Authority shall exclude from the lien of the Mortgage any inventory, equipment or other collateral financed by a purchase money equipment lender or an equipment lessor of the Institution (each, an "Equipment Lender") (such excluded inventory, equipment or other collateral, the "Excluded Collateral"). In addition, the Authority shall execute and deliver, at the request of an Equipment Lender, a commercially reasonable consent, waiver and agreement providing for (i) a waiver by the Authority of its rights, if any, to such Excluded Collateral and (ii) the respective rights of the Authority and the Equipment Lender regarding the timing and removal of any Excluded Collateral in which such Equipment Lender has a secured interest so long as such consent, waiver and agreement expressly excludes any claim by the Equipment Lender to any right, title or interest in or to any of the other inventory, equipment or other collateral encumbered by the Mortgage.

(Section 14)

Consent to Pledge and Assignment by the Authority

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

(Section 15)

Covenants

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

(Section 16)

Tax-Exempt Status of the Institution

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

(Section 17)

Use and Possession of the Project

The Institution shall agree that, unless in the opinion of Bond Counsel the Project may be occupied or used other than as required by this paragraph, at least ninety-five percent (95%) of the Project shall be used by the Institution or leased by the Institution to another organization described in Section 501(c)(3) of the Code or a governmental entity only for activities of the Institution, such other organization or governmental entity that will not adversely affect the classification of the Bonds as “qualified 501(c)(3) bonds” within the meaning of Section 145 of the Code, subject to and consistent with the requirements of the Loan Agreement. Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the Institution shall have sole and exclusive control and possession of and responsibility for (i) the Project and the Mortgaged Property, (ii) the operation of the Project and the Mortgaged Property and supervision of the activities conducted therein or in connection with any part thereof and (iii) the maintenance, repair and replacement of the Project and the Mortgaged Property; provided, however, that, except as otherwise limited by the Loan Agreement, the foregoing shall not prohibit use of the Project by persons other than the Institution or its students, staff or employees in furtherance of the Institution’s corporate purposes, if such use will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes. For purposes of the preceding sentence, the term Project shall include “issuance costs” (within the meaning of Section 147(g) of the Code) financed by the Series 2015 Bonds and such issuance costs shall be treated as a portion of the Project that is not used as required by the preceding sentence for ninety-five percent (95%) of the Project.

(Section 21)

Restrictions on Religious Use

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

(Section 22)

Sale of the Project or Mortgaged Property

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

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

(Section 23)

Covenant as to Insurance

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

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

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

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

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

(d) at all times, statutory disability benefits;

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

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

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

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

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

(Section 25)

Defaults and Remedies

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

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

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

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

(d) The Institution shall (A) be generally not paying its debts as they become due, (B) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (C) make a general assignment for the benefit of its general creditors, (D) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (E) be adjudicated insolvent or be liquidated or (F) take corporate action for the purpose of any of the foregoing; or

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

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

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

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

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

(j) an order of a court having jurisdiction shall be entered directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order shall remain undismissed or unstayed for the earlier of (A) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (B) an aggregate of thirty (30) days from the date such order shall have been entered; or

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

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

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

(n) the failure by the Institution to maintain a Debt Service Coverage Ratio of at least 1:0 to 1:0.

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

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

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

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

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

(e) realize upon any pledge of or security interest in the Pledged Revenues and the rights to receive the same, all to the extent provided in the Loan Agreement, and in a manner consistent with the rights of the holders of Additional Parity Indebtedness, by any one or more of the following actions: (A) enter the Institution and examine and make copies of the financial books and records of the Institution relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money and moneys in the possession of the Institution representing Pledged Revenues or proceeds thereof; (B) notify any account debtors obligated on any Pledged Revenues to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that (1) the Authority may, in its discretion, immediately collect the entire amount of interest, principal, or Sinking Fund Installments, if any, coming due on Outstanding Bonds on the next interest payment date therefor, subject to the Prior Pledges and the Intercreditor Agreement, and may continue to do so commencing on each such interest payment date to the extent of amounts due on Outstanding Bonds on the next interest payment date therefor, with respect to the Pledged Revenues, until such amounts are fully collected, (2) written notice of such notification shall be mailed to the Institution five (5) days prior to mailing or otherwise making such notification to account debtors and (3) until the Institution shall receive such notice it shall have full authority and responsibility to enforce and collect Pledged Revenues owing from its account debtors; (C) following the above mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Institution's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (D) require the Institution to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) business days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority; provided, however, that (1) the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institution under the Loan Agreement, including the fees and expenses of the Authority, (2) the Authority in its sole discretion may authorize the Institution to make withdrawals from such fund or account for its corporate purposes and (3) the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Institution when all Events of Default under the Loan Agreement by the Institution have been cured; (E) forbid the Institution to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (F) endorse in the name of the Institution any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof;

(f) to the extent permitted by law, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institution,

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

(g) permit, direct or request the Trustee to liquidate all or any portion of the assets of a Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds, or any other obligation or liability of the Institution or the Authority arising under the Loan Agreement, or from the Resolution and relating to the Bonds; or

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

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

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

Upon certain Events of Default pursuant to the Loan Agreement, including an Event of Default relating to the payment of principal and interest on the Series 2015 Bonds, the Authority shall assign the Mortgage to the Trustee as provided in the Series Resolution.

(Section 31)

Arbitrage; Tax Exemption

Each of the Institution and the Authority agree that it shall take no action, nor shall it approve the Trustee's taking any action or making any investment or use of the proceeds of the Bonds, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use. Neither the Institution nor any related person, as defined in Section 147(a)(2) of the Code) shall purchase Bonds unless the Authority and the Trustee shall have received an opinion of Bond Counsel to the effect that such purchase will not cause interest on the Bonds to be included in the gross income of owners of the Bonds for purposes of federal income taxation.

(Section 36)

Additional Parity Indebtedness

The Institution further covenants that it shall not incur any Additional Parity Indebtedness after the execution and delivery of the Loan Agreement unless the chief financial officer of the Institution shall provide a certificate to the Authority and the Insurer, if any, (i) that the Faculty Practice Plan Revenues for the immediately preceding fiscal year of the Institution for which audited financial statements are available were at least equal to maximum aggregate Debt Service on all Outstanding Bonds and Additional Parity Indebtedness, calculated after giving effect to the incurrence of the Additional Parity Indebtedness then to be incurred; (ii) the Debt Service Coverage Ratio for the most recent fiscal year for which audited financial statements are available was at least 1.20 after taking into account the Additional Parity Indebtedness then proposed to be issued; and (iii) that the Additional Parity Indebtedness then proposed to be issued would not cause the Debt to Capitalization Ratio to exceed 80%.

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

(Section 37)

Disclaimer of Personal Liability

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

(Section 41)

Additional Representations and Covenants

The Institution covenants that it shall maintain a Debt Service Coverage Ratio of at least 1.10:1.0 in each fiscal year. If as of the last day of the Institution's fiscal year the Debt Service Coverage Ratio is less than 1.10:1.0, the Institution shall, unless waived by the Authority, promptly employ a Consultant acceptable to the Authority. Copies of the recommendations of the Consultant shall be filed with the Authority no later than ninety (90) days following the date of engagement.

In connection with the incurrence of Alternative Parity Indebtedness, the Institution may pledge as additional security any of its real or personal property; provided, however, this provision shall not be deemed to permit the encumbrance of real or personal property of the Institution if the encumbrance of such property would otherwise violate any provisions of the Loan Agreement or any other agreement between the Institution and the Authority then in effect.

The Institution agrees that it will not dispose of its cash assets other than in the ordinary course of business or by investing in marketable or liquid securities if such disposition would reduce the Institution's cash assets by more than 20% from the cash assets as of the most recent audited financial statements. The Institution further covenants that it will not dispose of real or personal property other than in the ordinary course of business or as otherwise permitted by the Loan Agreement in an amount that would cause the Debt Service Coverage Ratio to decline by more than 20% on a pro forma basis as a result of such disposition.

(Section 16)

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution and the Series 2015A Resolution pertaining to the Series 2015 Bonds and the Project. Such summary does not purport to be complete and reference is made to the Resolution and the Series 2015A Resolution for full and complete statements of each of its provisions. Defined terms used in this Appendix shall have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers refer to sections in the Resolution or, where so specified the Series 2015A Resolution.

Resolution and Bonds Constitute a Contract

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

(Section 1.03)

Additional Obligations

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

(Section 2.05)

Pledge of Revenues

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

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

(Section 5.01)

Establishment of Funds and Accounts

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

- Construction Fund;
- Debt Service Fund; and
- Arbitrage Rebate Fund.

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

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series or in the Bond Series Certificate relating to such Series.

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

(Section 5.03)

Application of Moneys in the Construction Fund

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

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

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

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

A Project shall be deemed to be complete upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Institution, which certificate shall be delivered as soon as practicable after the date of completion of such Project, or upon delivery to the Institution and the Trustee of a certificate signed by an Authorized Officer of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy or use, and, in the case of a certificate of an Authorized Officer of the Institution, shall specify the date of completion.

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

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

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

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

(Section 5.04)

Deposit of Revenues and Allocation Thereof

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

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

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

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

Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Series for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of a Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Loan Agreement or any Mortgage in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fourth.

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

(Section 5.05)

Debt Service Fund

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

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

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

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

Moneys in the Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of a Series payable on and prior to the next succeeding July 1, the interest on Outstanding Bonds of a Series payable on and prior to the earlier of the next succeeding January 1 or July 1, and the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of a Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Debt Service Fund, such moneys shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds of a Series, at the

Redemption Prices specified in the Series Resolution authorizing the issuance of the Bonds to be redeemed or the Bond Series Certificate relating to such Bonds.

(Section 5.06)

Arbitrage Rebate Fund

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

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

The Authority shall periodically determine the amount which may be required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to a Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate moneys to the Department of the Treasury of the United States of America with respect to such Series of Bonds and (ii) if and to the extent required by the Code, pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.07)

Application of Moneys in Certain Funds for Retirement of Bonds

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

(Section 5.08)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of a series of Bonds, for the benefit of the Authority and the Holders of a Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the sections entitled “*Debt Service Fund*” or “*Defeasance*” hereof and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on such Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts Held by the Trustee

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

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

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

The Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant hereto and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution, whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority and the Institution in writing, on or before the fifteenth (15th)

day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of the first and second paragraphs of this Section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

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

(Section 6.02)

Powers as to Bonds and Pledge

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

(Section 7.03)

Creation of Liens

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

bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution.

(Section 7.06)

Amendment of Loan Agreement

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

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

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

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

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

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

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

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

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

(b) Notwithstanding the provisions of paragraph (a) of this Section, the Loan Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds of a Series as hereinafter provided, if such amendment, change, modification, termination or waiver (i) reduces the amount payable by the

Institution under the Loan Agreement on any date or delays the date on which payment is to be made, (ii) modifies the events which constitute Events of Default under the Loan Agreement, (iii) diminishes, limits or conditions the rights or remedies of the Authority under the Loan Agreement upon the occurrence of an Event of Default under the Loan Agreement, or (iv) adversely affects the rights of the Bondholders of such Series of Bonds in any material respect.

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

(d) No amendment, change, modification or termination of the Loan Agreement, or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the parties thereto. No such amendment, change, modification or waiver shall become effective unless there has been delivered to the Trustee an opinion of Bond Counsel to the effect that the same is not inconsistent with the Resolution and will not adversely affect the exclusion of interest on a Bond from gross income for purposes of federal income taxation. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee and a copy thereof shall be sent to each Insurer.

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

For the purposes of this Section, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Loan Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of a Series would be adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Institution, the Authority and all Holders of Bonds of such Series.

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

(Section 7.11)

Modification and Amendment Without Consent

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

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

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of a Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds of a Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

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

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

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

(h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions hereof or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders of a Series, in any material respect.

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

(Section 9.01)

Supplemental Resolutions Effective With Consent

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

(Section 9.02)

Powers of Amendment

Any modification or amendment of the Resolution or of any Series Resolution that modifies or amends the rights and obligations of the Authority and of the Holders of a Series of Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in the section entitled “*Consent of Bondholders*” hereof, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding of such Series at the time such consent is given, (ii) in case less than all of a Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of such Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of a Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as the Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds of a Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment hereof if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds of such Series. Prior to making any such determination, the Trustee shall be entitled to receive and rely on an opinion of counsel, including an opinion of Bond Counsel, with respect to whether the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution. Such opinion shall be conclusive evidence that the Bonds of any particular Series or maturity would not be adversely affected by any such modification or amendment of the Resolution. The Trustee shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

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

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the section entitled "Powers of Amendment" hereof to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Holders of a Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to such Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of a Series specified in the section entitled "*Powers of Amendment*" and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions hereof, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds of a Series with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of a Series described in the certificate or certificates of the Trustee. Any consent given by the Holder of a Bond of a Series shall be binding upon such Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Insurer or Holder thereof has notice thereof), unless such consent is revoked in writing by such Bondholder giving such consent or a subsequent Holder of such Bond by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section provided for is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds of each Series and will be effective as provided in this Section, shall be given to such Bondholders by the Trustee at the direction of the Authority by mailing such notice to such Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of such Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment

or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent, the Insurer, if any, and the Holders of such Series of Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

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

(Section 10.02)

Events of Default

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

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

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

(c) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

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

of such Series, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

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

(Section 11.02)

Acceleration of Maturity

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

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the section entitled “*Events of Default*” hereof, then and in every such case, the Trustee may proceed, and upon the written request of the applicable Insurer (if such Insurer is not in default under the Insurance Policy issued by it) or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series with the written consent of the applicable Insurer (if such Insurer is not in default under the Insurance Policy issued by it) or, in the case of a happening and continuance

of an event of default specified in paragraph (c) of the section entitled “*Events of Default*” hereof, upon the written request of the Holders of not less than a majority principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution) to protect and enforce its rights and the rights of the Bondholders under the Resolution or of such Insurer or under the applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under a Series Resolution the Trustee shall, subject to the provisions of the Intercreditor Agreement, be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of a Series Resolution or of a Series of Bonds, with interest on overdue payments of the principal of or interest on such Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under a Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in a Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Bondholders’ Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series, with the consent of the Insurer, if any, or, in the case of an event of default specified in paragraph (c) of the section entitled “*Events of Default*” hereof, the Holders of a majority in principal amount of the Outstanding Bonds of a Series affected thereby with the consent of the Insurer, if any, shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under a Series Resolution, provided, such direction shall not be otherwise than in accordance with law and the provisions of the Resolution and of such Series Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Bondholders

Neither a Holder of any of the Bonds of a Series nor the Insurer, if any, for any such Series of Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder or Insurer (if such Insurer is not in default under the Insurance Policy issued by it) previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series or, in the case of an event of default specified in paragraph (c) of the section entitled “*Events of Default*” hereof, the Holders of not less than a majority in principal amount of the Outstanding Bonds of such Series affected thereby,

shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted hereby or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity shall be declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts under the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Insurers or Holders of the Bonds of a Series secured by the Resolution and by a Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security hereof or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of a Series shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

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

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

due will, as verified by the report of a firm of independent certified public accountants, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of a Series on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series and maturity the payment of which is to be made in accordance with this Section. The Trustee shall select which Bonds of such Series, Sub-Series and maturity payment of which shall be made in accordance with this Section in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; **provided, however,** that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date hereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, or one (1) year after the date when the principal or Redemption Price of or interest on the Bonds for which said moneys is held was due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; **provided, however,** that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to

be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

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

(Section 12.01)

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF APPROVING OPINION OF BOND COUNSEL

August __, 2015

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

Re: \$512,410,000 Dormitory Authority of the State of New
York Icahn School of Medicine at Mount Sinai Revenue
Bonds, Series 2015A

Ladies and Gentlemen:

We have acted as bond counsel to the Dormitory Authority of the State of New York (the “Authority”) in connection with the issuance of \$512,410,000 aggregate principal amount of its Icahn School of Medicine at Mount Sinai Revenue Bonds, Series 2015A (the “Bonds”), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), and the Authority’s Mount Sinai School of Medicine of New York University Revenue Bond Resolution, adopted on June 27, 2007 (the “Resolution”), as amended and supplemented by the Series 2015A Resolution Authorizing Up To \$580,000,000 Icahn School of Medicine at Mount Sinai Revenue Bonds, Series 2015A adopted on May 13, 2015, including the Bond Series Certificate executed and delivered concurrently with the issuance of the Bonds (collectively, the “Series 2015 Resolution”). The Resolution and the Series 2015 Resolution are herein collectively referred to as the “Resolutions.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into a Loan Agreement, dated as of June 27, 2007, as previously supplemented and amended and as further supplemented and amended by Supplement No. 2 to Loan Agreement, dated as of May 13, 2015 (collectively, the “Loan Agreement”), each with the Icahn School of Medicine at Mount Sinai (formerly known as Mount Sinai School of Medicine of New York University) (the “Institution” or the “School”), providing, among other things, for a loan to the Institution for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal, sinking fund installments, if any, and redemption price of and interest on the Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of such Bonds.

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

The Bonds are to be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions.

In such connection, we have reviewed the Resolutions, the Loan Agreement, the Tax Certificate and Agreement dated as of the date hereof (the "Tax Certificate"), among the Authority, the Institution and The Mount Sinai Hospital (the "Hospital"), opinions of counsel to the Authority, the Trustee and the Institution, certificates of the Authority, the Trustee, the Institution and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Beth Essig, Esq., Executive Vice President and General Counsel of the Institution, regarding, among other matters, the current qualification of the Institution and the Hospital as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and the use of the facilities financed and refinanced with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the Institution or the Hospital within the meaning of Section 513 of the Code. We note that such opinion is subject to a number of qualifications and limitations. Failure of the Institution or the Hospital to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed facilities in activities that are considered unrelated trade or business activities of the Institution or the Hospital within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and 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 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolutions, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real property or personal property described in or subject to the lien of the Resolutions or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial and other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated August 7, 2015 (the "Official Statement") or other offering material relating to the Bonds and express no opinion with respect thereto.

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

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

2. The Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including the proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the Institution, constitutes a valid and binding agreement of the Authority in accordance with its terms.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE
LLP

AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK
ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI REVENUE BONDS, SERIES 2015**

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the “Disclosure Agreement”), dated as of _____, is executed and delivered by the Dormitory Authority of the State of New York (the “Issuer” or “DASNY”), Icahn School of Medicine at Mount Sinai (the “Obligated Person”), Manufacturers and Traders Trust Company, as Trustee (the “Trustee”) and Digital Assurance Certification, L.L.C. (“DAC”), as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute “advice” within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer’s or the Obligated Person’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Disclosure Dissemination Agreement” means that agreement, dated January 31, 2005, as amended to the date hereof, by and between the Disclosure Dissemination Agent and the Issuer pursuant to which disclosure dissemination services are to be provided by the Disclosure Dissemination Agent.

“Disclosure Representative” means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Obligated Person’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding

Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“Issuer” means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

“Resolution” means DASNY’s bond resolution(s) pursuant to which the Bonds were issued.

“Trustee” means Manufacturers and Traders Trust Company and its successors and assigns.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than 120 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending December 31, 2015, such date and each anniversary thereof, the “Annual Filing Date.” Promptly upon receipt of an electronic copy of the

Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access (“EMMA”) System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if audited financial statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy each for the Issuer and the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;

- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to the Section 4(c) of this Disclosure Agreement:
 - 1. Principal and interest payment delinquencies;
 - 2. Non-Payment related defaults, if material;
 - 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - 5. Substitution of credit or liquidity providers, or their failure to perform;
 - 6. Adverse tax opinions, IRS notices or events affecting the tax status of the securities;
 - 7. Modifications to rights of securities holders, if material;
 - 8. Bond calls, if material;
 - 9. Defeasances;
 - 10. Release, substitution, or sale of property securing repayment of the securities, if material;
 - 11. Ratings changes;
 - 12. Tender offers;
 - 13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
 - 14. Merger, consolidation, or acquisition of the Obligated Person, if material; and
 - 15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of

Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”
2. “change in obligated person;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”

4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data;”

(viii) provide the Obligated Person and the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Issuer, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall include operating data and financial information of the type included in the Official Statement for the Bonds as described in “PART 4 – THE INSTITUTION” under the headings “GENERAL INFORMATION,” and “OPERATING INFORMATION” relating to: (1) *student enrollment and applicants*, similar to that set forth under the heading, “Degree Granting Educational Programs”; (2) *faculty*, similar to that set forth under the heading, “Faculty”; (3) *faculty practice associates plan*, similar to that set forth under the heading, “Clinical Programs; Faculty Practice Associates”; (4) *endowment and investments*, unless such information is included in the Audited Financial Statements; (6) property, plant and equipment, unless such information is included in the Audited Financial Statements; and (7) *long-term debt*, unless such information is included in

the Audited Financial Statements; together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an “obligated person” (as defined by the Rule), which have been previously filed the Securities and Exchange Commission or available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;
7. Modification to rights of the security holders, if material;
8. Bond calls, if material;
9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Tender Offers;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify DASNY, the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, DASNY or the Trustee shall promptly notify the Obligated Person and also may notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer, the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Issuer, the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer or the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer or the Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to

time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer or Obligated Person desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer or Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person, with the approval of DASNY, from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement pursuant to the Disclosure Dissemination Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer or the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Issuer or the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality

thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Issuer or the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer or the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer or Trustee Responsibility.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4(b) hereof, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under said Section 4(b). DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Issuer, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, DASNY, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person, the Issuer or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person, the Issuer or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Issuer, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page left intentionally blank]

The Disclosure Dissemination Agent, the Issuer, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

**DIGITAL ASSURANCE CERTIFICATION,
L.L.C.,**
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

**ICAHN SCHOOL OF MEDICINE AT MOUNT
SINAI,**
Obligated Person

By: _____
Name: _____
Title: _____

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

By: _____
Authorized Officer

**MANUFACTURERS AND TRADERS TRUST
COMPANY,** as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): _____
Name of Bond Issue: _____
Date of Issuance: _____
Date of Official Statement: _____

Maturity

CUSIP No.

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): _____
Name of Bond Issue: _____
Date of Issuance: _____

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of _____, by and among the Obligated Person, the Dormitory Authority of the State of New York, as Issuer, Manufacturers and Traders Trust Company, as Trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Obligated Person

cc: Issuer
Obligated Person

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

_____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary event disclosure” will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of _____ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer’s and Obligated Person’s Names:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1. _____ “amendment to continuing disclosure undertaking;”
2. _____ “change in obligated person;”
3. _____ “notice to investors pursuant to bond documents;”
4. _____ “certain communications from the Internal Revenue Service;”
5. _____ “secondary market purchases;”
6. _____ “bid for auction rate or other securities;”
7. _____ “capital or other financing plan;”
8. _____ “litigation/enforcement action;”
9. _____ “change of tender agent, remarketing agent, or other on-going party;”
10. _____ “derivative or other similar transaction;” and
11. _____ “other event-based disclosures.”

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of _____ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1. _____ "quarterly/monthly financial information;"
2. _____ "change in fiscal year/timing of annual disclosure;"
3. _____ "change in accounting standard;"
4. _____ "interim/additional financial information/operating data;"
5. _____ "budget;"
6. _____ "investment/debt/financial policy;"
7. _____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. _____ "consultant reports;" and
9. _____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

