NEW ISSUE **Ratings: See "Ratings" herein.**

$130,930,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NYU HOSPITALS CENTER REVENUE BONDS, SERIES 2011A

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

Payment and Security: The NYU Hospitals Center Revenue Bonds, Series 2011A (the "Series 2011A Bonds"), are special obligations of the Dormitory Authority of the State of New York (the "Authority") payable from and secured by a pledge of (i) the payments to be made under the Amended and Restated Loan Agreement (the "Loan Agreement") dated as of April 5, 2000, as amended and restated as of June 28, 2006 and as supplemented by the Supplement No. 3 to the Amended and Restated Loan Agreement, dated as of December 8, 2010, in each case between the Authority and NYU Hospitals Center ("NYUHC" or the "Institution"), (ii) the hereinafter defined Series 2011A Obligation, and (iii) the funds and accounts (except the Arbitrage Rebate Fund) created under the Authority's Part B NYU Hospitals Center Obligated Group Revenue Bond Resolution, adopted by the Authority on April 5, 2000, as amended and restated on June 28, 2006 (the "Resolution"), and under the Authority's Series 2011A Resolution, adopted by the Authority on December 8, 2010 (the "Series 2011A Resolution").

Payment of the principal of and interest on the Series 2011A Bonds, when due, is secured by payments to be made pursuant to an obligation (the "Series 2011A Obligation"), issued by NYUHC pursuant to a Master Trust Indenture, dated as of June 28, 2006, as supplemented (the "Master Indenture"), by and between NYUHC and The Bank of New York Mellon, as Master Trustee. NYUHC is the sole Member of the Obligated Group established under the Master Indenture.

NYUHC's obligations under the Loan Agreement and the Series 2011A Obligation are general obligations of NYUHC. The Loan Agreement requires NYUHC to pay, in addition to the fees and expenses of the Authority and The Bank of New York Mellon, as Trustee, amounts sufficient to pay the principal, Sinking Fund Installments, or Redemption Price, if any, of and interest on the Series 2011A Bonds, as such payments shall become due, to maintain the Debt Service Reserve Fund for the Series 2011A Bonds at its requirement and to make payments due under the Series 2011A Obligation. At the time of delivery of the Series 2011A Bonds, an amount equal to the Debt Service Reserve Fund Requirement for the Series 2011A Bonds will be deposited into the Debt Service Reserve Fund.

The Series 2011A Bonds will not be a debt of the State of New York (the "State") nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2011A Bonds will be issued as fully registered bonds in denominations of $5,000 and any integral multiples thereof. Interest on the Series 2011A Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2011, and will be payable at the principal corporate trust office of The Bank of New York Mellon, as Trustee, by check or draft mailed to the registered owner thereof. See "PART 3 – THE SERIES 2011A BONDS" herein.

The Series 2011A Bonds will be initially issued under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2011A Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2011A Bonds, payments of the principal and Redemption Price of and interest on such Series 2011A 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 2011A BONDS - Book-Entry Only System" herein.

Redemption and Purchase in Lieu of Redemption: The Series 2011A Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds. See "PART 12 – TAX MATTERS" herein.

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

Maturity July 1,	Amount	Interest Rate	Yield	CUSIP Numbers[1]	Maturity July 1,	Amount	Interest Rate	Yield	CUSIP Numbers[1]
2011	$2,425,000	2.000%	1.400%	6499057Q3	2019	$ 600,000	4.450%	4.480%	6499057Y6
2012	250,000	3.000	1.680	6499057R1	2019	3,420,000	5.000	4.480	6499058K5
2013	2,335,000	4.000	2.100	6499057S9	2020	4,220,000	5.000	4.750	6499057Z3
2014	715,000	3.000	2.620	6499057T7	2021	4,425,000	5.000	4.980*	6499058A7
2015	2,355,000	3.000	3.080	6499057U4	2022	4,650,000	5.000	5.110	6499058B5
2015	1,000,000	5.000	3.080	6499058J8	2023	4,885,000	5.125	5.280	6499058C3
2016	3,480,000	5.000	3.460	6499057V2	2024	5,130,000	5.250	5.430	6499058D1
2017	3,650,000	5.000	3.790	6499057W0	2025	5,405,000	5.500	5.600	6499058E9
2018	595,000	4.000	4.190	6499057X8	2026	5,695,000	5.625	5.740	6499058H2
2018	3,240,000	5.000	4.190	6499058L3					

$22,735,000 5.750% Term Bonds Due July 1, 2031, Yield 5.95%, CUSIP1 6499058F6
$49,720,000 6.000% Term Bonds Due July 1, 2040, Yield 6.15%, CUSIP1 6499058G4

The Series 2011A Bonds are offered when, as, and if received by the Underwriters. The offer of the Series 2011A Bonds is subject to the satisfaction of certain conditions and may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for NYUHC by NYUHC's Office of General Counsel, and by NYUHC's Special Counsel, Ropes & Gray LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Edwards Angell Palmer & Dodge LLP, New York, New York. The Authority expects the Series 2011A Bonds to be delivered in definitive form in New York, New York on or about January 25, 2011.

MORGAN STANLEY **BOFA MERRILL LYNCH**

Citi **Goldman, Sachs & Co.** **J.P. Morgan** **TD Securities**

Dated: January 7, 2011

[1] See CUSIP footnote on inside cover.

* Priced at the stated yield to the July 1, 2020 optional redemption date at a redemption price of par.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institution or the Underwriters to give any information or to make any representations with respect to the Series 2011A Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Institution or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be an offer, reoffer or sale of the Series 2011A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, reoffer, solicitation or sale.

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

The Institution has reviewed the parts of this Official Statement describing the Institution, the Obligated Group, and the Master Indenture, including but not limited to "PART 1 - INTRODUCTION", "PART 4 - THE SERIES 2011A PROJECT", "PART 5 – PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS", "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS," "PART 7 - NYU HOSPITALS CENTER", and "PART 8 - RISK FACTORS AND REGULATORY CONSIDERATIONS THAT MAY AFFECT THE OBLIGATED GROUP", "PART 18 – CONTINUING DISCLOSURE" (only insofar as such Continuing Disclosure relates to obligations of the Institution) and "APPENDIX B". The Institution shall certify as of the dates of offering and delivery of the Series 2011A Bonds that such parts of this Official Statement relating to the Institution do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

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

References in this Official Statement to the Act (as defined herein), the Resolution, the Series 2011A Resolution, the Loan Agreement, the Mortgage (as defined herein), the Master Indenture and the Series 2011A Obligation do not purport to be complete. Refer to the Act, the Resolution, the Series 2011A Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2011A Obligation for full and complete details of their provisions. Copies of the Act, the Resolution, the Series 2011A Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2011A Obligation are on file with the Authority and the Trustee.

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2011A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2011A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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[1] Copyright 2005, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers indicated have been assigned by an independent company not affiliated with the Authority and are provided solely for the convenience of the holders of the Series 2011A Bonds only at the time of issuance of the Series 2011A Bonds. No representations are made with respect to such numbers nor does any party undertake any responsibility for the accuracy of the CUSIP numbers now or at any time in the future. The Authority is not responsible for the selection or uses of the CUSIP number, and no representation is made as to its correctness on the Series 2011A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2011A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity of the Series 2011A Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2011A Bonds.

TABLE OF CONTENTS

Page

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DORMITORY AUTHORITY - STATE OF NEW YORK **515 BROADWAY, ALBANY, N.Y. 12207**
PAUL T. WILLIAMS, JR. - PRESIDENT **ALFONSO L. CARNEY, JR. – CHAIR**

OFFICIAL STATEMENT RELATING TO

$130,930,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
NYU HOSPITALS CENTER
REVENUE BONDS, SERIES 2011A

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page hereto, is to provide information about the Dormitory Authority of the State of New York (the "Authority") and NYU Hospitals Center ("NYUHC" or the "Institution") in connection with the offering by the Authority of $130,930,000 aggregate principal amount of its NYU Hospitals Center Revenue Bonds, Series 2011A, dated their date of issuance (the "Series 2011A Bonds").

The following is a brief description of certain information concerning the Series 2011A Bonds, the Authority and the Institution. A more complete description of such information and additional information that may affect decisions to invest in the Series 2011A 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, Appendix E-1 and Appendix E-2 hereto.

Purpose of the Issue

The proceeds of the Series 2011A Bonds will be loaned by the Authority to NYUHC and, together with other available funds, are expected to be used to (i) provide funds to finance and/or refinance the Series 2011A Project (as defined herein); (ii) provide capitalized interest; (iii) make a deposit into the Debt Service Reserve Fund for the Series 2011A Bonds; and (iv) pay certain Costs of Issuance of the Series 2011A Bonds. See "PART 4 – THE SERIES 2011A PROJECT" and "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Series 2011A Bonds will be issued pursuant to the Authority's Part B NYU Hospitals Center Obligated Group Revenue Bond Resolution adopted by the Authority on April 5, 2000, as amended and restated on June 28, 2006 (the "Resolution"), the Series 2011A Resolution adopted by the Authority on December 8, 2010 (the "Series 2011A Resolution"), and the Act. On December 5, 2007, the Authority, pursuant to the Resolution, issued $94,150,000 of its NYU Hospitals Center Revenue Bonds, Series 2007B (the "Series 2007B Bonds"). On February 6, 2007, the Authority, pursuant to the Resolution, issued $165,300,000 of its NYU Hospitals Center Revenue Bonds, Series 2007A (the "Series 2007A Bonds"). On October 4, 2006, the Authority, pursuant to the Resolution, issued $94,590,000 of its NYU Hospitals Center Revenue Bonds, Series 2006A (the "Series 2006A Bonds") and $27,410,000 of its NYU Hospitals Center

(Taxable) Revenue Bonds, Series 2006B (the "Series 2006B Bonds"). On May 18, 2000, the Authority, pursuant to the Resolution, issued $61,500,000 aggregate principal amount of its NYU Hospitals Center (Taxable) Revenue Bonds, Series 2000D (the "Series 2000D Bonds"). The Series 2000D Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A and the Series 2007B Bonds (collectively, the "Prior Bonds") are currently Outstanding under the Resolution in the principal amounts of $46,800,000, $94,590,000, $11,175,000, $156,125,000 and $91,045,000, respectively.

Additional Bonds may in the future be issued pursuant to the Resolution and each such Series of Bonds shall be separately secured by (i) the funds and accounts established pursuant to the applicable Series Resolution, and (ii) the applicable Obligation (as defined herein) to be issued by the Obligated Group pursuant to the Master Trust Indenture, dated as of June 28, 2006, as supplemented (the "Master Indenture" or the "NYUHC Master Indenture"), by and between the Institution (and any future Members of the Obligated Group) and The Bank of New York Mellon, as Master Trustee (the "Master Trustee"). The Series 2011A Bonds, the Prior Bonds and all additional Series of Bonds hereafter issued pursuant to the Resolution, are referred to herein as the "Bonds." See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS."

The proceeds of the Series 2011A Bonds will be loaned by the Authority to NYUHC pursuant to the Amended and Restated Loan Agreement, dated as of April 5, 2000, as amended and restated as of June 28, 2006, and as supplemented by the Supplement No. 3 to the Amended and Restated Loan Agreement, dated as of December 8, 2010, in each case between the Authority and NYUHC (collectively, the "Loan Agreement"). The repayment obligations of NYUHC under the Loan Agreement are secured by Obligations issued by NYUHC under the Master Indenture.

The Series 2011A Bonds

The Series 2011A Bonds will be dated their date of issuance, and will accrue interest from their date at the rates, and will mature at the times, as set forth on the cover page hereof. Interest on the Series 2011A Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2011. See "PART 3 – THE SERIES 2011A BONDS – Description of the Series 2011A Bonds."

The Authority

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

NYU Hospitals Center

NYUHC is a 1,069-bed tertiary care teaching hospital located in mid-town Manhattan. NYUHC traces its origins to the founding in 1882 of the New York-Post Graduate Hospital and, together with NYU School of Medicine, commenced conducting business as NYU Medical Center in 1947. In 1998, NYUHC became separately incorporated and, following a multi-year period during which NYUHC was affiliated with Mount Sinai Hospital, NYUHC once again became wholly controlled by New York University in October 2007. NYUHC is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

NYUHC is the sole Member of the Obligated Group under the Master Indenture. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS – Obligations under the Master Indenture." Subject to the conditions thereto set forth in the Master Indenture, in the future additional entities may become Members of the Obligated Group.

For certain financial and operational information of NYUHC, see "PART 7 – NYU HOSPITALS CENTER" and "Appendix B – NYU Langone Medical Center Combined Financial Statements as of August 31, 2010 and 2009." The summary statement of operations of NYUHC for the year ended August 31, 2010, contained on page 36 of Appendix B, is derived from the supplemental combining information included

within the combined financial statements of NYU Langone Medical Center. The combined financial statements include information with respect to NYUHC, New York University School of Medicine and the other affiliated entities, and the summary statements of operations of NYUHC should be read in conjunction with the complete combined financial statements and supplemental combining information of NYU Langone Medical Center for 2010 and 2009, together with the related notes and the independent accountants report, included in Appendix B. See "PART 7 – NYU HOSPITALS CENTER – Affiliation with NYU School of Medicine" and "– Affiliated Entities."

NEITHER NEW YORK UNIVERSITY SCHOOL OF MEDICINE NOR THE OTHER AFFILIATED ENTITIES IN THE COMBINED FINANCIAL STATEMENTS ARE MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, THEY ARE NOT OBLIGATED WITH RESPECT TO THE SERIES 2011A BONDS. NO ASSETS OR REVENUES OF NEW YORK UNIVERSITY SCHOOL OF MEDICINE OR THE OTHER AFFILIATED ENTITIES ARE PLEDGED TO SECURE THE SERIES 2011A BONDS.

Payment of the Bonds

The Series of Bonds heretofore and hereafter issued under the Resolution, including the Series 2011A Bonds and the Prior Bonds, are and will be special obligations of the Authority payable solely from the Revenues. The Revenues include certain payments to be made by the Institution under the Loan Agreement or to be made by the Institution, as the sole Member of the Obligated Group, on the Obligations of the Obligated Group issued under the Master Indenture, which payments are pledged and assigned to the Trustee. The Institution's payment obligations under the Loan Agreement with respect to the Series 2011A Bonds are general obligations of the Institution secured by the Series 2011A Obligation. The Series 2011A Obligation is secured by a security interest in the Gross Receipts of the Institution on a parity with all other Obligations issued under the Master Indenture. The Series 2011A Obligation will also be secured by a mortgage lien (as more fully described herein, the "Mortgage") on the Institution's primary hospital facilities, including NYUHC's main campus and certain other clinical facilities (collectively, the "Mortgaged Property"), which lien secures on a parity basis all other Obligations issued under the Master Indenture, including the Series 2007A Obligation, the Series 2007B Obligation, the Series 2006A Obligation, the Series 2006B Obligation, the Series 2000D Obligation, and an Obligation in the Outstanding amount of $1,342,580 issued by NYUHC to New York University pursuant to the Master Indenture (the "NYU Obligation" and, collectively with such other Obligations, the "Prior Obligations"). See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS – Payment of the Series 2011A Bonds," and "– Obligations under the Master Indenture."

Security for the Bonds

Each Series of the Bonds is and will be separately secured by the pledge and assignment made by the Authority pursuant to the Resolution to the Trustee of the Revenues applicable to such Series and all funds and accounts authorized by the Resolution and established under the applicable Series Resolution (with the exception of the Arbitrage Rebate Fund), which include separate Debt Service Reserve Funds for each Series of Prior Bonds and the Series 2011A Bonds. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS – Security for the Series 2011A Bonds" and "– Obligations under the Master Indenture – The Mortgage," "Appendix E-1 – Summary of Certain Provisions of the Master Indenture" and "Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture."

In addition, payment when due on the Series 2011A Bonds, and payment when due of the payment obligations of the Institution to the Authority under the Loan Agreement, is secured by an Obligation (the "Series 2011A Obligation") issued pursuant to the Master Indenture and the applicable Supplemental Indenture thereto. The Master Indenture constitutes a joint and several obligation of each Member of the Obligated Group to repay all obligations issued under the Master Indenture (each an "Obligation"), including the Series 2011A Obligation. NYUHC is currently the sole Member of the Obligated Group. The obligation of NYUHC and any future Member of the Obligated Group to make the payment required by the Master Indenture with respect to the Series 2011A Obligation is secured by a security interest in the Gross Receipts of NYUHC and any future Member of the Obligated Group and by the Mortgage. Gross Receipts do not include, among other

things, revenue derived from Property that does not constitute Health Care Facilities (i.e., Excluded Property). The Series 2011A Obligation will be registered in the name of the Authority. The issuance of future Obligations is subject to the satisfaction of certain financial covenants set forth in the Master Indenture which bind all Members of the Obligated Group, as described in "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS - Obligations under the Master Indenture," "Appendix E-1 – Summary of Certain Provisions of the Master Indenture" and "Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture."

NYUHC and any future Members of the Obligated Group, upon compliance with the terms and conditions and for the purposes described in the Master Indenture, may incur additional Indebtedness. Such Indebtedness, if evidenced by an Obligation issued under the Master Indenture, would constitute a joint and several obligation of NYUHC and any future Member of the Obligated Group on a parity with the Series 2011A Obligation and all other Obligations outstanding under the Master Indenture, including the Prior Obligations, with respect to the Gross Receipts and the Mortgage. See "Appendix E-1 – Summary of Certain Provisions of the Master Indenture" and "Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture." Such other Indebtedness, if not so evidenced by an Obligation issued under the Master Trust Indenture, would constitute a debt solely of the individual Member of the Obligated Group incurring such Indebtedness, and not a joint and several obligation of the entire Obligated Group and, therefore, would not be entitled to the benefits of the Master Indenture. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS – Obligations under the Master Indenture" and "Appendix E-1 – Summary of Certain Provisions of the Master Indenture" and "Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture."

The Resolution authorizes the issuance by the Authority, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and to be separately secured from each other Series of Bonds issued pursuant to the Resolution for the benefit of the Institution and any other future Members of the Obligated Group. The holders of Bonds of a Series shall not be entitled to the rights and benefits conferred upon the holders of Bonds of any other Series. Each Series of Additional Bonds shall be secured by a separate Obligation issued under the Master Indenture. For a more complete discussion of the security for the Series 2011A Bonds, see "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS – Security for the Series 2011A Bonds."

The Series 2011A Bonds are not a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

The Mortgage

In connection with the issuance of the Series 2006A Obligation and the Series 2006B Obligation, the Authority consolidated, amended, and restated its prior mortgages on the NYUHC main campus and the campus of the former Hospital for Joint Diseases (the "HJD Campus" and, collectively with the main campus, the "Main Campuses") into a single mortgage (the "Consolidated Mortgage") that was assigned to the Master Trustee and which secured the Series 2000D Obligation, the Series 2006A Obligation, the Series 2006B Obligation and the NYU Obligation. In connection with the issuance of the Series 2007A Obligation and the Series 2007B Obligation, an additional similar mortgage (the "2007 Mortgage") was granted on the Main Campuses and on the Cancer Center to the Master Trustee. Upon the issuance of the Series 2011A Obligation, an additional similar mortgage (the "2011 Mortgage" or "Mortgage" and, together with the Consolidated Mortgage and the 2007 Mortgage, the "Mortgages") will be granted on the Main Campuses and on the Cancer Center to the Master Trustee. All indebtedness under the Master Indenture is secured by the Mortgages so that all Obligations issued under the Master Indenture will be secured on a parity, regardless of the order of recording or priority of any of the various mortgages granted to secure one or more Obligations.

The Institution's payment obligations on the Prior Obligations, and any future Obligations issued under the Master Indenture, are secured by the Mortgages and a security interest in certain fixtures, furnishings and equipment now or hereafter owned by the Institution and located on or at the Mortgaged Property or used in connection with the Mortgages. The Master Trustee is permitted to release or subordinate certain portions of real property and improvements constituting Health Care Facilities (as defined in the Master Indenture)

from the lien of the Mortgages under certain conditions set forth in the Master Indenture, which include but are not limited to releases for fair market value of property that does not materially detract from the utility of the Health Care Facilities and the proceeds of which are applied to the operation, maintenance or improvement to the Health Care Facilities or to the pro rata prepayment of the Obligations then outstanding. In connection with other bond transactions, Supplemental Indentures to the Master Indenture have provided to the Authority the right to release mortgages granted to the Master Trustee for reasons within the Authority's discretion. Such rights in connection with the issuance of the Series 2011A Bonds have not been granted to the Authority, and so long as the Series 2011A Bonds remain Outstanding, the Authority has no authority to direct the Master Trustee to release any portion of the Series 2011A Mortgage. For further information, see "Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture." See also "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS – Obligations under the Master Indenture – The Mortgage."

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2011A Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2011A Resolution, the Loan Agreement, the Mortgage, the Master Indenture, the Supplemental Indenture and the Series 2011A Obligation. Copies of the Act, the Resolution, the Series 2011A Resolution, the Loan Agreement, the Mortgage, the Master Indenture, the Supplemental Indenture and the Series 2011A Obligation are on file with the Authority and the Trustee. See also "Appendix C – Summary of Certain Provisions of the Loan Agreement," "Appendix D – Summary of Certain Provisions of the Resolution," "Appendix E-1 – Summary of Certain Provisions of the Master Indenture" and "Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2011A Bonds

The Series 2011A Bonds issued under the Resolution are special obligations of the Authority. The principal, Sinking Fund Installments, purchase price and Redemption Price, if any, of and interest on the Series 2011A Bonds are payable solely from the Revenues and all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Series 2011A Resolution. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement or to be made by the Obligated Group under the Series 2011A Obligation to be issued with respect to the Series 2011A Bonds on account of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2011A Bonds and to maintain the Debt Service Reserve Fund at its requirement. The Revenues have been assigned by the Authority to the Trustee for the benefit of the holders of the Series 2011A Bonds.

The Institution's obligations under the Loan Agreement and under the Series 2011A Obligation are general obligations of the Institution. The Authority has directed the Institution, and the Institution has agreed, to make the payments under the Loan Agreement directly to the Trustee. Any payments made on the Series 2011A Obligation issued with respect to the Series 2011A Bonds shall also be made directly to the Trustee. The Loan Agreement obligates the Institution to make monthly payments sufficient to pay, among other things, the principal and Sinking Fund Installments of and interest on the Series 2011A Bonds as they become due, and to make any payments due under the Series 2011A Obligation. Each payment is to be equal to one-sixth of the interest coming due on the next succeeding interest payment date and one-twelfth of the principal and Sinking Fund Installments coming due on or prior to the next succeeding principal or sinking fund payment date. See "PART 3 – THE SERIES 2011A BONDS – Redemption and Purchase in Lieu of Redemption Provisions."

Security for the Series 2011A Bonds

The Series 2011A Bonds will be secured by the payments described above to be made under the Loan Agreement, all funds and accounts authorized under the Resolution and established by the Series 2011A Series Resolution (with the exception of the Arbitrage Rebate Fund), and payments to be made by the Obligated Group under the Series 2011A Obligation. Pursuant to the terms of the Resolution, the funds and accounts established and pledged by Series 2011A Resolution secure only the Series 2011A Bonds, and do not secure any other Series of Bonds issued under the Resolution, regardless of their dates of issue. See "Appendix D – Summary of Certain Provisions of the Resolution."

Debt Service Reserve Fund

The Series 2011A Resolution establishes a separate Debt Service Reserve Fund to be funded at the time of the delivery of the Series 2011A Bonds. The Debt Service Reserve Fund is to be funded in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2011A Bonds. See Appendix A for the definition of the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund is to be held by the Trustee, is to be applied solely for the purposes specified in the Resolution and is pledged to secure the payment of the principal, Sinking Fund Installments and Redemption Price, if any, of and interest on the Series 2011A Bonds. Any payments to be made by the Institution to restore the Debt Service Reserve Fund are to be made directly to the Trustee for deposit to the Debt Service Reserve Fund. See "Appendix D – Summary of Certain Provisions of the Resolution."

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in the Debt Service Fund, on the fourth (4^{th}) Business Day prior to an interest or principal payment date for the Series 2011A Bonds, is less than the amount that is necessary to pay the principal and Sinking Fund Installments of and interest on the Series 2011A Bonds payable on such interest or principal payment date and Redemption Price or purchase price of such Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption. The Resolution requires that the Institution restore the Debt Service Reserve Fund to its requirement by paying the amount of any deficiency to the Trustee within five (5) days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement may be withdrawn and applied in accordance with the Resolution. See "Appendix D – Summary of Certain Provisions of the Resolution - Debt Service Reserve Fund."

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

The Series 2011A Obligation

Payment of the principal of, redemption price of or purchase price in lieu of redemption and interest on the Series 2011A Bonds when due, and payment when due of the obligations of the Institution to the Authority under the Loan Agreement, will be secured by payments made by the Institution pursuant to the Series 2011A Obligation. The Series 2011A Obligation will be issued to the Authority, which will assign all payments under the Series 2011A Obligation to the Trustee for the benefit of the Bondholders. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS – Obligations under the Master Indenture" herein.

Events of Default and Acceleration under the Resolution

The following constitute events of default under the Resolution with respect to the Series 2011A Bonds: (i) a default by the Authority in the payment when due of the principal, Sinking Fund Installments or Redemption Price, if any, of or interest on any Series 2011A Bond; (ii) a default by the Authority in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series 2011A Bonds or in the Resolution or in the Series 2011A Resolution which continues for thirty (30) days after

written notice thereof is given to the Authority by the Trustee (such notice to be given in the Trustee's discretion or at the written request of holders of not less than 25% in principal amount of Outstanding Bonds unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within thirty (30) days and diligently prosecutes the cure thereof); (iii) a default by the Authority in the due and punctual performance of any applicable tax covenant which results in the loss of the exclusion of interest on the Series 2011A Bonds from gross income under the Code; or (iv) an "Event of Default," as defined in the Loan Agreement, shall have occurred and is continuing and all sums payable by the Institution under the Loan Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled). Failure of the Institution to make payment under the Loan Agreement shall not constitute an Event of Default under the Loan Agreement if timely payment of the Series 2011A Obligation is made by the Obligated Group in place of the payment due under the Loan Agreement. If an Event of Default occurs under the Master Trust Indenture (as defined therein) or under any Obligation issued thereunder, such default shall constitute an Event of Default under the Loan Agreement. Unless all sums payable by the Institution under the Loan Agreement are declared immediately due and payable (and such declaration shall have not been annulled), an Event of Default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default occurs and continues (except with respect to a default described in clause (iii) above), the Trustee shall, upon the written request of the holders of not less than 25% in principal amount of the Series 2011A Bonds, by written notice to the Authority, declare the principal of and interest on the Series 2011A Bonds to be due and payable immediately. At the expiration of thirty (30) days after the giving of such notice, such principal, Sinking Fund Installments and interest shall become immediately due and payable. The Trustee shall, with the written consent of the holders of not less than 25% in principal amount of Series 2011A Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the holders within thirty (30) days, in each case after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installment or Redemption Price of, or interest on, any of the Series 2011A 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 2011A Bonds.

Additional Bonds

In addition to the Series 2011A Bonds and the Prior Bonds, the Resolution authorizes the issuance by the Authority of other Series of Bonds to finance Projects and for other specified purposes including refunding Outstanding Bonds or other notes or bonds issued on behalf of any Member of the Obligated Group.

Obligations under the Master Indenture

General

In addition to other sources of payment described herein, principal of, redemption price of, purchase price in lieu of redemption, and interest and any redemption premium on the Series 2011A Bonds will be payable from moneys paid by the Institution and any other future Members of the Obligated Group pursuant to the Series 2011A Obligation. The Series 2011A Obligation will be issued to the Authority, which will assign all payments under the Series 2011A Obligation to the Trustee as security for the payment of the principal of, redemption price of, purchase price in lieu of redemption, and interest on the Series 2011A Bonds. Concurrently with the issuance of the Series 2011A Bonds, the Obligated Group will issue its Series 2011A Obligation pursuant to the Master Indenture.

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

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

THE MASTER INDENTURE PERMITS EACH MEMBER OF THE OBLIGATED GROUP TO ISSUE OR INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS THAT WILL SHARE THE SECURITY FOR THE SERIES 2011A OBLIGATION (I.E., THE MORTGAGE AND THE GROSS RECEIPTS PLEDGE) ON A PARITY WITH SUCH OBLIGATIONS, AND IN CERTAIN CIRCUMSTANCES THE LIEN ON GROSS RECEIPTS MAY BE RELEASED IN PART TO SECURE SHORT-TERM INDEBTEDNESS OR TO IMPLEMENT A SALE OF SUCH GROSS RECEIPTS, AND THE LIEN OF THE MORTGAGE MAY BE RELEASED IN WHOLE OR IN PART UNDER CERTAIN CONDITIONS AS SET FORTH HEREIN. SUCH ADDITIONAL OBLIGATIONS WILL NOT BE SECURED BY THE MONEY OR INVESTMENTS IN ANY FUND OR ACCOUNT HELD BY THE TRUSTEE FOR THE SECURITY OF THE SERIES 2011A BONDS.

Security for the Series 2011A Obligation

Pursuant to the Master Indenture, each Obligation issued thereunder will be a joint and several general obligation of NYUHC and any future Member of the Obligated Group. Upon issuance of the Series 2011A Bonds, the Institution will be the sole Member of the Obligated Group. Under the Master Indenture, the Members of the Obligated Group may not create or suffer to be created any Lien on Property other than Permitted Liens. Among other Permitted Liens, the Liens created by the Mortgage and by the pledge of Gross Receipts are Permitted Liens. The liens created by the Mortgage include security interests in the Mortgaged Property. Other Permitted Liens include liens on equipment purchased with permitted Indebtedness, any lien on Property not to exceed 20% of Total Operating Revenues and any lien on Excluded Property, as further described in "Appendix E-1 - Summary of Certain Provisions of the Master Indenture - Limitations on Creation of Liens". The enforcement of the Obligations may be limited by (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal or State statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction and (v) federal bankruptcy laws, State of New York receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Master Indenture. See "PART 8 – RISK FACTORS AND REGULATORY CONSIDERATIONS THAT MAY AFFECT THE OBLIGATED GROUP – Enforceability of the Master Indenture."

Security Interest in Gross Receipts

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

owned or hereafter acquired, derived from the Excluded Property; and (iii) insurance proceeds relating to assets subject to a capital lease permitted under the Master Indenture or subject to an operating lease as to which any Member of the Obligated Group is the lessee. Excluded Property means any real property that is not now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance and treatment of patients or to otherwise provide health care and health-related services.

The Mortgage

To secure payments required to be made by the Institution under the Series 2011A Obligation issued under the Master Indenture, and to secure all other Obligations, NYUHC has executed and delivered the Mortgage on the Mortgaged Property to the Master Trustee, which Mortgage includes a security interest in certain fixtures, furnishings and equipment located thereon. The Mortgaged Property includes the "core" hospital facilities of the Institution, being the NYUHC main campus, the HJD Campus and the Cancer Center, including the primary site for each inpatient facility of the Institution. See "PART 7 – NYU HOSPITALS CENTER – Facilities," herein for further information regarding such "core" hospital facilities. The Mortgage will secure on an equal and ratable basis all Obligations issued under the Master Indenture, including but not limited to the Series 2011A Obligation and the Prior Obligations. In addition, the Master Trustee is permitted to release or subordinate certain portions of real property and improvements constituting Health Care Facilities from the lien of the Mortgages under certain conditions set forth in the Master Indenture, which include but are not limited to releases for fair market value of property that does not materially detract from the utility of the Health Care Facilities and the proceeds of which are applied to the operation, maintenance or improvement to the Health Care Facilities or to the pro rata prepayment of the Obligations then outstanding. In connection with other bond transactions, Supplemental Indentures to the Master Indenture have provided to the Authority the right to release mortgages granted to the Master Trustee for reasons within the Authority's discretion. Such rights in connection with the issuance of the Series 2011A Bonds have not been granted to the Authority, and so long as the Series 2011A Bonds remain Outstanding, the Authority has no authority to direct the Master Trustee to release any portion of the Series 2011A Mortgage. See "Appendix E-2 – Summary of Certain Provisions of the Supplemental Master Indenture."

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

Other Indebtedness

The Members of the Obligated Group may issue additional Obligations under the Master Indenture that are secured on a parity with the Series 2011A Obligation and the Prior Obligations by the pledge of Gross Receipts and by the Mortgage. See "Appendix E-1 – Summary of the Certain Provisions of the Master Indenture – Limitation on Indebtedness" for a description of the conditions under which the Members of the Obligated Group may issue additional Obligations under the Master Indenture.

Under certain conditions set forth in the Master Indenture, in addition to incurring Indebtedness represented by an Obligation, the Members of the Obligated Group may incur debt in the form of Indebtedness incurred by the Members of the Obligated Group individually that is not evidenced or secured by an Obligation issued under the Master Indenture. Such borrowing may be secured by liens on Property permitted under the Master Indenture, including without limitation liens on Excluded Property, without limit, or accounts receivable. See "Appendix E-1 – Summary of Certain Provisions of the Master Indenture" for a description of various financial covenants applicable to the Institution and any other Members of the Obligated Group. **Such summaries do not reflect certain additional and more restrictive covenant requirements imposed on the Institution and any other Members of the Obligated Group by the Authority. Such additional covenant requirements apply while the Series 2011A Bonds and the Prior Bonds remain outstanding and are enforceable only by the Authority and may be waived or modified by the Authority without the consent of the Holders of the Series 2011A Bonds or the Trustee. Compliance with such covenants could prevent**

the Institution or any other Member of the Obligated Group from undertaking a particular transaction that is otherwise permitted by the Master Indenture, which in turn might affect the operations or revenues of the Institution and any other Members of the Obligated Group.

The Institution has certain Indebtedness outstanding. See "Appendix B – NYU Langone Medical Center Combined Financial Statements as of August 31, 2010 and 2009."

THE SERIES 2011A BONDS ARE NOT A DEBT OF THE STATE NOR WILL THE STATE BE LIABLE THEREON. THE AUTHORITY HAS NO TAXING POWER. THE AUTHORITY HAS NEVER DEFAULTED IN THE TIMELY PAYMENT OF PRINCIPAL OF OR INTEREST ON ITS BONDS OR NOTES. SEE "PART 9 – THE AUTHORITY."

PART 3 - THE SERIES 2011A BONDS

General

The Series 2011A Bonds will be issued and outstanding pursuant to the Resolution and the Series 2011A Resolution. The Series 2011A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2011A Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2011A Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2011A Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Series 2011A Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). If at any time the Book-Entry Only System is discontinued for the Series 2011A Bonds, the Series 2011A Bonds will be exchangeable for fully registered Series 2011A Bonds in any authorized denominations without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "– Book-Entry Only System" below and "Appendix D – Summary of Certain Provisions of the Resolution."

Description of the Series 2011A Bonds

The Series 2011A Bonds will be dated their date of issuance. The Series 2011A Bonds will mature and will accrue interest from their date at the rates and at the times set forth on the cover page of this Official Statement, payable semiannually on each January 1 and July 1, commencing July 1, 2011. The Series 2011A Bonds will be offered as fully registered Bonds in denominations of $5,000 or any integral multiples thereof. Interest on the Series 2011A Bonds will be computed on the basis of a year of twelve 30-day months. The Series 2011A Bonds may be exchanged for other Series 2011A Bonds in any other authorized denominations upon payment of a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange and for the cost of preparing the new bond, and otherwise as provided in the Resolution. The Record Dates for the Series 2011A Bonds are December 15 and June 15. The Authority will not be obligated to make any exchange or transfer of Series 2011A Bonds (i) during the period beginning on the Record Date next preceding an Interest Payment Date for the Series 2011A Bonds and ending on such Interest Payment Date or (ii) after the date next preceding the date on which the Trustee commences selection of Series 2011A Bonds for redemption.

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2011A Bonds are subject to redemption and purchase in lieu of redemption as described below.

Optional Redemption

The Series 2011A Bonds maturing on or after July 1, 2021 are subject to optional redemption prior to maturity, at the election or direction of the Authority, on or after July 1, 2020, in any order, as a whole or in part at any time, at 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Redemption

The Series 2011A Bonds are also subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, at the option of the Authority, on any interest payment date, from the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Mortgaged Property, and which proceeds are not otherwise applied as permitted under the Master Indenture.

Mandatory Redemption

In addition, the Series 2011A 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 2011A Bonds specified for each of the years shown below:

Series 2011A Bonds
Maturing on July 1, 2031

Year	Amount	Year	Amount
2027	$4,050,000	2030	$4,795,000
2028	4,285,000	2031†	5,070,000
2029	4,535,000		

†Final Maturity

Series 2011A Bonds
Maturing on July 1, 2040

Year	Amount	Year	Amount
2032	$5,365,000	2037	$5,660,000
2033	4,480,000	2038	5,995,000
2034	4,750,000	2039	6,355,000
2035	5,035,000	2040†	6,740,000
2036	5,340,000		

†Final Maturity

Purchase in Lieu of Optional Redemption

The Series 2011A Bonds are subject to purchase at the election of the Institution with the written consent of the Authority, prior to maturity, on the same terms that would apply to the Series 2011A Bonds if the Series 2011A Bonds were then being optionally redeemed.

General

The Authority may from time to time direct the Trustee to purchase Series 2011A Bonds with moneys in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2011A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required principal payment or Sinking Fund Installment on such Series 2011A Bonds. The Institution also may purchase Series 2011A Bonds and apply any Series 2011A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2011A Bonds. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2011A Bonds will be reduced for such year.

Selection of Bonds to be Redeemed

In the case of redemptions of the Series 2011A Bonds, other than mandatory redemptions, the Authority will select the principal amounts and maturities (including any Sinking Fund Installments) of the Series 2011A Bonds to be redeemed. If less than all of the Series 2011A Bonds of a maturity are to be redeemed, the Series 2011A Bonds to be redeemed will be selected by the Trustee, by lot as provided in the Resolution.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2011A Bonds in the name of the Authority, by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to the registered owners of any Series 2011A Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than ten business days prior to the date such notice is given. The failure of any such registered owner of a Series 2011A Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2011A Bond.

If on the redemption date moneys for the redemption of the Series 2011A Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the redemption price, and if notice of redemption has been mailed, then interest on such Series 2011A Bonds or portions thereof will cease to accrue from and after the redemption date and such Series 2011A Bonds will no longer be considered to be Outstanding.

In addition, any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the Redemption Date of moneys sufficient to pay the principal of, premium, if any, and interest on the Series 2011A Bonds to be redeemed and that if such moneys are not so received, such notice shall be of no force and effect and such Series 2011A Bonds shall not be required to be redeemed.

Notice of Purchase in Lieu of Redemption

Notice of the purchase of the Series 2011A Bonds as described under "– Purchase in Lieu of Optional Redemption" above, will be given in the name of the Institution to the registered owners of the Series 2011A Bonds to be purchased by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the purchase date specified in such notice. The Series 2011A Bonds to be purchased are required to be tendered to the Trustee on the date specified in such notice. Series 2011A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event Series 2011A Bonds are called for purchase in lieu of an optional redemption, such purchase shall not operate

to extinguish the indebtedness of the Authority evidenced thereby and such Series 2011A Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest and shall continue to be subject to optional redemption as described herein.

The Institution's obligation to purchase a Series 2011A 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 2011A 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 2011A Bonds to be purchased, the former registered owners of such Series 2011A 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 2011A 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 2011A Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2011A Bonds are to be purchased, the Series 2011A Bonds to be purchased will be selected by lot in the same manner as Series 2011A Bonds to be redeemed in part are to be selected.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2011A Bonds. The Series 2011A Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Series 2011A Bonds and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in

the Series 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A 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 2011A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2010 Bond maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011A 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 2011A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2011A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2011A Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2011A Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. None of the Authority, the Trustee or NYUHC will have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2011A Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2011A Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and

disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Series 2011A Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2011A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series 2011A Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Participant acquires an interest in the Series 2011A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NONE OF THE AUTHORITY, THE TRUSTEE OR NYUHC WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2011A BONDS.

So long as Cede & Co. is the registered owner of the Series 2011A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2011A Bonds (other than under the caption "PART 12 — TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2011A Bonds.

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

For every transfer and exchange of Series 2011A 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 2011A Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2011A Bonds. or (ii) a continuation of the requirement that all of the Outstanding Series 2011A 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 2011A Bond certificates will be delivered as described in the Resolutions and the Bond Series Certificate.

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

THE AUTHORITY, NYUHC, THE TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE

OWNERS OF THE SERIES 2011A BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2011A 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 2011A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2011A BONDS; OR (VI) ANY OTHER MATTER.

PART 4 - THE SERIES 2011A PROJECT

The primary purpose for the issuance of the Series 2011A Bonds is (a) to finance and/or refinance certain capital expenditures of the Institution, including but not limited to (1) renovation and equipping of the Emergency Department including the renovation of approximately 23,300 sq. ft. of existing Emergency Department space and reconfiguration of approximately 5,500 square feet of space adjacent to the existing Emergency Department for Emergency Department use, (2) renovation and equipping of approximately 80,450 square feet of leased space at 333 East 38th Street to create a new Musculoskeletal Center to consolidate NYUHC's outpatient musculoskeletal services and (3) routine capital expenditures of the Institution; (b) provide capitalized interest; (c) make a deposit into the Debt Service Reserve Fund for the Series 2011A Bonds; and (d) pay certain costs of issuance of the Series 2011A Bonds.

PART 5 - PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS

The following table sets forth the amount coming due on each principal and interest payment date during each twelve-month period ending August 31 of the fiscal years shown for (i) the payment of the principal and Sinking Fund Installments of the Series 2011A Bonds, payable on July 1 of each such period and the interest payments coming due during each such period with respect to the Series 2011A Bonds; (ii) the total debt service payments coming due during such period with respect to the Prior Bonds; (iii) the total aggregate debt service payments coming due during such period with respect to all Outstanding Bonds, including the Series 2011A Bonds; (iv) the aggregate debt service payments coming due on other NYUHC indebtedness (the accounts receivable financing and tax-exempt equipment loans); and (v) the total aggregate debt service which includes the Series 2011A Bonds, the Prior Bonds and other NYUHC indebtedness.

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12-Month Period Ending August 31,	Principal of Series 2011A Bonds	Interest on Series 2011A Bonds	Total Debt Service on Outstanding Bonds (not including the Series 2011A Bonds) [1]	Total Debt Service on Outstanding Bonds (including the Series 2011A Bonds)	Total Debt Service on Other NYUHC Indebtedness[2] [3][4]	Total Debt Service on all Indebtedness
2011	$ 2,425,000	$ 3,087,072	$ 33,544,963	$ 39,057,035	$11,893,780	$ 50,950,815
2012	250,000	7,075,513	32,202,591	39,528,104	11,892,020	51,420,124
2013	2,335,000	7,068,013	30,364,083	39,767,096	11,894,580	51,661,676
2014	715,000	6,974,613	32,074,402	39,764,015	11,896,290	51,660,305
2015	3,355,000	6,953,163	32,114,248	42,422,411	2,255,618	44,678,029
2016	3,480,000	6,832,513	32,172,135	42,484,648	1,379,750	43,864,398
2017	3,650,000	6,658,513	32,222,753	42,531,266	1,384,080	43,915,346
2018	3,835,000	6,476,013	32,285,773	42,596,786	1,382,390	43,979,176
2019	4,020,000	6,290,213	30,681,469	40,991,682	1,379,850	42,371,532
2020	4,220,000	6,092,513	30,748,957	41,061,470	1,381,460	42,442,930
2021	4,425,000	5,881,513	33,628,177	43,934,690	1,382,050	45,316,740
2022	4,650,000	5,660,263	33,452,279	43,762,542	1,381,620	45,144,162
2023	4,885,000	5,427,763	32,076,523	42,389,286	1,380,170	43,769,456
2024	5,130,000	5,177,406	32,165,356	42,472,762	1,382,700	43,855,462
2025	5,405,000	4,908,081	32,265,864	42,578,945	1,384,040	43,962,985
2026	5,695,000	4,610,806	32,399,043	42,704,849	1,379,190	44,084,039
2027	4,050,000	4,290,463	16,096,344	24,436,807	1,383,320	25,820,127
2028	4,285,000	4,057,588	15,654,875	23,997,463	1,381,090	25,378,553
2029	4,535,000	3,811,200	15,645,813	23,992,013	1,382,670	25,374,683
2030	4,795,000	3,550,438	15,649,781	23,995,219	1,382,890	25,378,109
2031	5,070,000	3,274,725	15,649,656	23,994,381	1,381,750	25,376,131
2032	5,365,000	2,983,200	15,639,094	23,987,294	1,379,250	25,366,544
2033	4,480,000	2,661,300	15,647,094	22,788,394	1,380,390	24,168,784
2034	4,750,000	2,392,500	15,646,000	22,788,500	-	22,788,500
2035	5,035,000	2,107,500	10,389,469	17,531,969	-	17,531,969
2036	5,340,000	1,805,400	10,383,438	17,528,838	-	17,528,838
2037	5,660,000	1,485,000	6,226,594	13,371,594	-	13,371,594
2038	5,995,000	1,145,400	-	7,140,400	-	7,140,400
2039	6,355,000	785,700	-	7,140,700	-	7,140,700
2040	6,740,000	404,400	-	7,144,400	-	7,144,400
TOTAL	$130,930,000	$129,928,779	$667,026,774	$927,885,553	$74,700,948	$1,002,586,501

1. Interest on the Series 2000D Bonds has been estimated on the basis of an assumed variable interest rate of 3.85% per annum.
2. The accounts receivable financing is secured only by NYUHC receivables and is not secured by an Obligation issued under the Master Indenture. As of August 31, 2010, the accounts receivable financing is outstanding in the amount of $21.8 million and expires in June 2012. For purposes of calculating debt service, it is assumed that the accounts receivable financing is amortized on a level debt service basis over a 30-year period from date of issuance at an interest rate which estimates the 10-year average of 1-month LIBOR plus 80 bps.
3. Includes the lease agreement that NYUHC entered into with the Authority under its tax-exempt leasing program ("TELP"). As of August 31, 2010, $38.6 million is outstanding.
4. Excludes $150 million of bank lines of credit. As of December 20, 2010, NYUHC had drawn $30 million under one of the bank lines of credit.

PART 6 - ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2011A Bonds:

Sources of Funds

Principal Amount of Series 2011A Bonds	$130,930,000
Net Original Issue Discount	(790,953)
Institution Equity	39,062,238
	$169,201,285

Uses of Funds

Costs of the Series 2011A Project	$139,261,259
Deposit to Series 2011A Debt Service Reserve Fund	10,313,081
Capitalized Interest	15,164,821
Costs of Issuance and Related Costs [(1)]	3,292,327
Underwriters' Discount	1,169,797
	$169,201,285

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

PART 7 - NYU HOSPITALS CENTER

Introduction and Background

NYU Hospitals Center ("NYUHC" or the "Hospital"), a 1,069-bed tertiary care teaching hospital located in mid-town Manhattan, is the principal teaching hospital of the New York University School of Medicine ("NYUSM"). NYUHC traces its origins to 1882, when the New York-Post Graduate Hospital was founded. Known by the 1940s as the University Hospital, it began to conduct business in 1947 as "NYU Medical Center" in conjunction with NYUSM. NYUHC's main hospital facility was rebuilt on its present site in 1963 and renamed Tisch Hospital in 1990. NYUHC also operates the Rusk Institute for Rehabilitation Medicine (the "Rusk Institute"), founded in 1948 and one of the country's largest academic centers for the treatment and training of disabled adults and children, and effective January 1, 2006, NYU Hospital for Joint Diseases Orthopaedic Institute ("NYUHJD"), a leading orthopaedic, neurologic and rheumatologic specialty hospital.

Since the 1920s and throughout a number of reorganizations and mergers, the hospital that is now known as NYUHC has been affiliated with, and at one time was an unincorporated division of, New York University ("NYU" or the "University"). From the 1940s until 1998, the University operated the Hospital and NYUSM under the name NYU Medical Center. In January 1998, the University spun off its hospital activities into NYUHC, a tax-exempt New York not-for-profit corporation, while NYUSM remained an unincorporated division of the University. Following a multi-year period during which NYUHC was affiliated with Mount Sinai Hospital, NYUHC once again became wholly controlled by the University in October, 2007. The University is the sole member of NYUHC, which operates with NYUSM as an integrated academic medical center known as NYU Langone Medical Center (the "Medical Center").

NEITHER NYU NOR NYUSM ARE MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, THEY ARE NOT OBLIGATED WITH RESPECT TO THE SERIES 2011A BONDS. NO ASSETS OR REVENUES OF NYU OR NYUSM ARE PLEDGED TO SECURE THE SERIES 2011A BONDS.

For a discussion of the affiliation with NYUSM, see "Affiliation with NYU School of Medicine." Unless otherwise indicated, all references to financial and statistical data are for NYUHC only and refer to the fiscal year ended August 31, and all references to municipalities are located in New York.

Scope of Services

NYUHC provides a full range of tertiary level adult and pediatric medical and surgical services and obstetrics. It is licensed to operate 1,069 beds as shown below, of which 928 beds are currently available:

	Tisch/Rusk	NYUHJD	NYUHC Total
Medical-Surgical	449	144	593
Intensive Care	37	-	37
Coronary Care	6	-	6
Total Medical-Surgical	**492**	**144**	**636**
Pediatric	39	-	39
Pediatric Intensive Care	9	-	9
Maternity	36	-	36
Psychiatry	22	-	22
Physical Medicine and Rehabilitation	174	16	190
Trauma Brain Injury	-	23	23
Coma Recovery	-	7	7
Special Use	82	-	82
Neonatal Intensive Care	7	-	7
Neonatal Intermediate Care	18	-	18
Total Non-Medical-Surgical	**387**	**46**	**431**
Total Licensed Beds	**879**	**190**	**1,069**

Source: NYUHC records.

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

In 2004, NYUHC opened the Clinical Cancer Center, an approximately 100,000 square foot multidisciplinary facility focused on cancer care, which provides laboratory and infusion services and diagnostic imaging, such as PET/CT, MRI and mammography, to more than 500 patients daily. In November, 2009, NYUHC opened an approximately 22,000 square foot outpatient surgery center (the "Ambulatory Surgery Center"), which focuses on minimally invasive orthopaedic procedures and is intended to serve as the cornerstone of the Musculoskeletal Center, a component of the Series 2011A Project being financed with proceeds of the Series 2011A Bonds. In January, 2010, the Hospital established a satellite cancer center adjacent to NYUSM's multispecialty group practice in Queens. NYUHC also has one of the region's most advanced gamma knives for neurosurgery and recently implemented a robotic system for minimally invasive urological and gynecological surgeries.

NYUHC is the recipient of The Joint Commission's Gold Seal of Approval and is a two-time recipient of the Magnet Award for nursing excellence; only six percent of the hospitals in the nation have received Magnet designation, and only two percent have received re-designation. In 2010, the Hospital was ranked #1 in New York and in the top 10 nationwide for rehabilitation medicine for the 20th consecutive year by *U.S. News*

& World Report. It was also named in the top 10 for orthopaedics and neurology/neurosurgery by *U.S. News & World Report* and one of America's 10 Best Hospitals by *Becker's Hospital Review*.

The Medical Center was recognized as one of the top 10 academic medical centers nationwide for patient safety and quality according to the University HealthSystem Consortium's ("UHC") "2010 Quality and Accountability Performance Scorecard." The scorecard ranks academic medical centers (98 UHC member institutions were included in the analysis) for their performance across a range of key patient safety and quality indicators including mortality, safety, timeliness, effectiveness, efficiency, equity, and patient centeredness. NYUHC is also on Niagara Health Quality Coalition's New York State Hospital Report Card Honor Roll for patient safety and quality.

Facilities

NYUHC's facilities consist of portions of four buildings on a four-block campus located on First Avenue between 30th and 34th Streets in New York City (the "First Avenue Campus"), the NYUHJD facility located at 301 East 17th Street in New York City (the "HJD Campus") and the Clinical Cancer Center facility located at 160 East 34th Street in New York City (the "Cancer Center"), as well as other facilities near the First Avenue Campus. The First Avenue Campus is structured in the form of a condominium, with all units owned by either NYUHC or NYU, and consists of NYUHC-owned facilities dedicated to inpatient and outpatient clinical care and ancillary and support services, as well as NYU-owned medical, educational and research facilities. The following table lists those buildings on the First Avenue Campus that contain condominium units owned by NYUHC and the other buildings owned by NYUHC, and describes the year of construction, the approximate gross square footage and the principal facilities or services provided by NYUHC therein:

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

Source: NYUHC records.

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

In addition to the owned facilities listed above, NYUHC holds leases to property totaling approximately 624,700 rentable square feet in Manhattan, including the facility located at 333 East 38th Street,

which houses the Ambulatory Surgery Center and will house the Musculoskeletal Center, a component of the Series 2011A Project. NYUHC uses its leased property for a variety of administrative, support, and clinical purposes.

Located within the boundaries of the First Avenue Campus, on land owned by Amtrak and the Long Island Railroad, are two ventilation buildings used to move air through train tunnels. To improve passenger safety in the event of tunnel fire and smoke conditions, Amtrak demolished the existing ventilation buildings and is constructing two new multi-story buildings containing new emergency stairways, modern ventilation fans, and bi-directional exhaust fans. Construction started in January 2005, with completion expected by 2012. NYUHC has worked to ensure that the reduction of noise, dust and vibration is Amtrak's top priority during construction. NYUHC does not anticipate that the construction will negatively impact its business, but can give no assurance that accidents or other construction activities relating to Amtrak or any other aspects of the Series 2011A Project will not adversely affect NYUHC.

The Series 2011A Project

The Series 2011A Project has an aggregate cost of approximately $139.3 million, of which approximately $39.1 million is being funded by equity. The Series 2011A Project includes the following components: (1) renovation and equipping of the Emergency Department located within the First Avenue Campus, including the renovation of approximately 23,300 square feet of existing Emergency Department space and reconfiguration of approximately 5,500 square feet of space adjacent to the existing Emergency Department for Emergency Department use, (2) renovation and equipping of approximately 80,450 square feet of leased space at 333 East 38th Street to create a new Musculoskeletal Center to consolidate NYUHC's outpatient musculoskeletal services and (3) routine capital expenditures.

Certificate of need approval has been obtained for the Emergency Department and the Musculoskeletal Center. Construction of the Emergency Department is scheduled to commence January 2011 and is estimated to be completed by December 2013. Construction of the Musculoskeletal Center started in November 2010, with completion expected by December 2011. The other components of the Series 2011A Project will be completed as applicable approvals are obtained.

Future Facilities Plans and Additional Borrowing

NYUHC is in the process of planning a new 800,000 square foot, twenty-story clinical pavilion on the First Avenue Campus, which will house inpatient beds, operating room and procedure space, non-inpatient beds and support space. If board and regulatory approvals are obtained, construction would likely be in the 2014-2017 timeframe. Early estimates of the aggregate cost of the new pavilion are in excess of $1.35 billion dollars, which will be financed through a combination of debt, philanthropy, and equity. NYUHC has not filed for certificate of need approval for this project, and there can be no assurance that all needed regulatory approvals for the pavilion would be obtained. In addition, any financing must be in accordance with the debt limitations set forth in the Master Indenture.

The Medical Center is also planning a capital project to construct an energy building on the First Avenue Campus. The energy building will house several facilities, including a cogeneration plant and a new electric service. The project is expected to begin early in 2012 and will provide benefits to NYUSM and NYUHC. Current estimated project costs are approximately $265 million. The ownership and financing plan for the project are still under consideration. NYUHC anticipates issuing bonds in late 2011 or early 2012 in an amount currently expected to be at least $150 million for the energy building and possibly additional amounts for other routine capital projects.

Affiliation with NYU School of Medicine

NYUHC is the principal teaching hospital for NYUSM, which is one of 13 component schools of NYU. Founded in 1841 as the 19th chartered school of medicine in the United States, NYUSM follows the traditional tripartite mission of American medical schools - education, research and patient care - with an educational continuum that spans medical and doctoral students, post doctoral trainees, house staff and

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

NYUSM owns and operates a faculty group practice (the "Faculty Group Practice") that delivers patient care and currently employs approximately 810 physicians, including the departments (or divisions) of anesthesiology, radiology, cardiovascular surgery, vascular surgery, radiation oncology and large portions of many other departments. Over the last three years, it has recruited close to approximately 240 physicians in specialties ranging from pediatric cardiac surgery and post-traumatic stress syndrome to hematological malignancies and diabetes, and has opened practices in Queens, Williamsburg, Washington Heights, Westchester and Long Island. It continues to focus on developing ambulatory sites and multispecialty practices to build a clinical network to respond to market changes that are expected to arise due to healthcare reform.

In 2009, NYUHC and NYUSM embarked on a major initiative to implement a fully integrated, patient-centric, clinical and financial information system based on the Epic platform.

Financial Support of NYUSM

NYUHC has committed to provide financial support to NYUSM in support of joint clinical, research, and teaching programs contingent on NYUHC meeting certain operating income targets. In 2010, NYUHC made a $50 million financial payment to NYUSM and, in 2011, NYUHC is expected to make a $45 million financial payment to NYUSM. Typically, NYUHC negotiates the level of support payments each year with NYUSM, and such payments may be lower or higher in the future.

NEITHER NYU NOR NYUSM ARE MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, THEY ARE NOT OBLIGATED WITH RESPECT TO THE SERIES 2011A BONDS. NO ASSETS OR REVENUES OF NYU OR NYUSM ARE PLEDGED TO SECURE THE SERIES 2011A BONDS.

Affiliated Entities

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

THE AFOREMENTIONED AFFILIATED ENTITIES ARE NOT MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, ARE NOT OBLIGATED ON THE SERIES 2011A BONDS, NOR ARE THEIR ASSETS OR REVENUES PLEDGED TO SECURE THE SERIES 2011A BONDS.

Governance and Executive Staff

Trustees of NYUHC

In its capacity as sole member of NYUHC, the University elected the same individuals to serve as members of NYUHC's Board of Trustees (the "Board") and the NYU School of Medicine Advisory Board, which function jointly as the Medical Center Board of Trustees. The Medical Center Board of Trustees meets

eight times a year and trustees are elected to three year terms. The following is a list of the voting members of the Medical Center Board of Trustees and their business affiliations as of November 1, 2010.

Trustee Name	**Company Affiliation**
Michael C. Alfano (*ex officio*)	Executive Vice President, NYU
Dwight Anderson	Ospraie Management
Marc H. Bell	Managing Director, Marc Bell Capital Partners
William R. Berkley	Chairman & CEO, W.R. Berkley Corp.
Robert Berne (*ex officio*)	Executive VP for Health, NYU
Bonnie Brier (*ex officio)*	Senior Vice President and General Counsel, NYU
Edgar Bronfman, Jr.	Chairman and CEO, Warner Music Group
Kenneth I. Chenault	Chairman and CEO, American Express Company
Gary D. Cohn*	President COO, Goldman, Sachs & Co.
William J. Constantine (Vice Chair)	Managing Director, Legg Mason Investment Counsel
Elizabeth B. Dater	Chief Investment Officer, Angelo, Gordon & Co
Jamie Dimon*	Chairman and CEO, JPMorgan Chase & Co.
Fiona Druckenmiller	Philanthropist
James Dunne, III	Senior Managing Principal, Sandler, O'Neill + Partners, L.P.
Alvin H. Einbender	Einbender Management Corp.
Laurence D. Fink (Co-Chair)	Chairman and CEO, BlackRock Financial Management
Lori Fink	Philanthropist
Louis P. Friedman	Partner, Flexis Capital LLC
Jay Furman	Principal, RD Management Corp.
Michael Gardner	Baytree Capital Associates, LLC
Steven J. Gilbert	Chairman, Gilbert Global Equity Partners
Robert I. Grossman, M.D. (*ex officio*)	CEO, NYU Hospitals Center
George E. Hall	President, The Clinton Group
Sylvia Hassenfeld	Philanthropist
Jackie Harris Hochberg	Philanthropist
Helen L. Kimmel	The Helen Kimmel Foundation
Kenneth G. Langone, Chair	President and CEO, Invemed Associates, LLC
Sidney Lapidus	Partner (retired) , Warburg Pincus LLC
Thomas H. Lee	Chairman and CEO, Thomas H. Lee Capital, LLC
Martin Lipton, Esq.	Partner, Wachtell, Lipton, Rosen & Katz
Laurence C. Leeds, Jr.	Chairman, Buckingham Capital Management
Carla S. Magliocco	Philanthropist
Louis Marx, Jr.	President and CEO, Brae Capital Corporation
Deryck Maughan	Managing Director & Chairman of KKR Asia, Kohlberg Kravis Roberts & Company
David W. McLaughlin (*ex officio*)	Provost, NYU
Edward H. Meyer	Chairman, CEO and CIO, Ocean Road Advisors, Inc.
Edward J. Minskoff	President, Edward J. Minskoff Equities, Inc.
Darla Moore	Executive Vice President, Rainwater, Inc.
Thomas S. Murphy, Sr.	Chairman/CEO (retired), Capital Cities/ABC, Inc.
Thomas Murphy, Jr.	Managing Director, Crestview Partners LLC
Frank T. Nickell	President and CEO, Kelso & Company
Michael E. Novogratz	President and Director, Fortress Investment Group, LLC
Ronald O. Perelman	Chairman and CEO, MacAndrews & Forbes Holdings, Inc.
Debra Perelman	MacAndrews & Forbes Holdings, Inc.
William A. Perlmuth	Stroock & Stroock & Lavan
Laura Perlmutter	Philanthropist
Douglas A. Phillips	Managing Partner, Weiser, LLP
Robert W. Pittman	Pilot Group

Trustee Name	Company Affiliation
Alan Rappaport	Vice Chairman, Roundtable Investment Partners LLC
Linda Gosden Robinson	Chairman, Robinson, Lerer & Montgomery, LLC
E. John Rosenwald, Jr.*	Vice Chairman Emeritus, JP Morgan
Alan D. Schwartz	Executive Chairman, Guggenheim Partners LLC
Bernard L. Schwartz	Chairman and CEO, BLS Investments LLC
John E. Sexton (*ex officio*)	President, NYU
Stanley Shopkorn	Managing Partner, Shopkorn Management LLC
Henry R. Silverman	Chairman and CEO, Realogy Corporation
Larry A. Silverstein	President and CEO, Silverstein Properties, Inc.
Joel E. Smilow	Chairman, Dinex Group, LLC
Norma Smith	Philanthropist
Robin L. Smith, M.D., M.B.A.	Chair & CEO, NeoStem, Inc.
William C. Steere, Jr.	Chair Emeritus, Pfizer Inc.
John M. Stewart	Philanthropist
Alice M. Tisch	Philanthropist
Thomas J. Tisch	Managing Partner, Four Partners
Bradley J. Wechsler (Vice Chair)	Co-Chairman and Co-CEO, IMAX Corp.
Alan G. Weiler, Esq.	Partner, Weiler, Arnow Management Co., Inc.
Anthony Welters	Executive Vice President, UnitedHealth Group

* These Board members are affiliated with Goldman, Sachs & Co. or JP Morgan Chase & Co., which are serving as underwriters for the Series 2011A Bonds.

The Board also has five non-voting Life Trustees, six non-voting Associate Trustees and three non-voting medical staff members.

Executive Staff

Robert I. Grossman, M.D., age 63

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

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

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

Steven Abramson, M.D., age 62

In July, 2007 Dr. Steven Abramson was named Senior Vice President of NYUHC and Vice Dean for Education, Faculty and Academic Affairs of NYUSM. Previously he was associate dean for curriculum, vice dean for medical education and associate dean for clinical research. As Vice Dean, he oversees faculty affairs and medical education, including undergraduate, graduate and post-graduate education and continuing medical education, pre-college programs, the admissions process and NYUSM's accreditation, and led the Task Force on Curriculum Reform, which resulted in the implementation of the Curriculum for the 21st Century at NYUSM. He is a professor of medicine and pathology and director of the Division of Rheumatology and serves as co-director of the recently designated NYU Musculoskeletal Center of Excellence. He is a co-editor of the journal *Arthritis & Rheumatism*, a former member of the Rheumatology Board of the American Board of Internal Medicine, immediate past president of the Osteoarthritis Research Society International and former chairman of the Arthritis Advisory Committee of the Food and Drug Administration. He has published more than 200 papers on inflammation and arthritis. Dr. Abramson was named by the American College of Rheumatology board of directors as the first chair of the ACR-FDA Drug Safety Committee and is a member of the Skeletal Biology Structure and Regeneration Study Section of the National Institute of Health ("NIH").

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

Bernard A. Birnbaum, M.D., age 53

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

Andrew W. Brotman, M.D., age 55

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

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

Anthony E. Shorris, age 53

Mr. Shorris was named Senior Vice President of NYUHC and Vice Dean and Chief of Staff of NYUSM in September, 2010, bringing nearly 30 years of managerial, academic, and policy-making experience in large and complex organizations. Previously he served as director of the Rudin Center for Transportation Policy and Management and professor of practice at the Robert F. Wagner Graduate School Public Service at NYU. Prior to that, he served as the executive director of the Port Authority of New York and New Jersey, the nation's oldest public authority. He also served as chief operating officer and executive vice president of Healthfirst, Inc., one of the largest nonprofit managed healthcare organizations in New York, for five years and has consulted widely on healthcare management issues. Mr. Shorris has also been commissioner of finance for the City of New York, deputy chancellor for operations of the New York City Department of Education, and deputy budget director of the City of New York. He was also on the faculty and directed a research center at the Woodrow Wilson School of Public and International Affairs at Princeton University for four years.

Mr. Shorris holds degrees from Harvard College and Princeton University. He is a Fellow at the Century Foundation in New York City and was chosen as "Professor of the Year" in 2009 by the student body of NYU's Wagner School.

Robert A. Press, M.D., age 63

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

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

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

Vivian S. Lee, M.D., age 44

In July, 2007, Dr. Lee, MD, PhD, MBA, was appointed Senior Vice President of NYUHC and Vice Dean for Science, Chief Scientific Officer of NYUSM. She is a professor of radiology and of physiology and neuroscience and currently principal investigator for three NIH R01 grants, recently serving as chair of the Medical Imaging NIH study section. She is a Fellow and past president of ISMRM, has authored over 130 peer-reviewed research publications and is on the editorial board of leading journals in imaging. As the inaugural Vice Dean for Science, Dr. Lee develops strategies for building science at the Medical Center and oversees the Institutional Review Board, Sponsored Programs Administration, Office of Clinical Trials, Office of Industrial Liaison, Department of Laboratory and Animal Research and the Institutional Animal Care and Use Committee and Institutional Biosafety Committee.

A graduate of Harvard-Radcliffe Colleges, Dr. Lee was awarded a Rhodes Scholarship to study at Oxford University, where she received a doctorate in medical engineering. She received an M.D. with honors from Harvard Medical School and completed her residency in diagnostic radiology at Duke University Medical Center, where she also served as chief resident, and then trained as a fellow in body and cardiovascular MRI and thoracic imaging at NYU. A member of *Alpha Omega Alpha*, she received the

Medical Center's Orloff Award in 2001 for research. In 2006, she completed an MBA at NYU's Stern School of Business and was among *Crain's New York Business's* "40 under 40: New York's Rising Stars." Dr. Lee was recently awarded the Chang-Lin Tien Education Leadership Award.

Annette B. Johnson, age 66

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

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

Michael T. Burke, age 53

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

Nancy Sanchez, age 51

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

Vicki Match-Suna, age 53

In October, 2007, Ms. Match Suna was appointed Senior Vice President of NYUHC and Vice Dean for Real Estate Development and Facilities of NYUSM, overseeing the development and management of the Medical Center's real estate portfolio of over six million square feet. Her responsibilities include the Divisions of Real Estate, Planning, Design & Construction, Housing Services, and Facilities Operations and Management. In her previous role as vice dean and senior vice president for Real Estate & Strategic Capital Initiatives, Ms. Match Suna was responsible for strategic capital planning. Ms. Match Suna is a registered architect and a member of the American Institute of Architects ("AIA"). She served as a commissioner on the NYC Landmarks Preservation Commission for 15 years and currently serves on the board of the New York City Economic Development Corporation. She is a member of the New York Society of Health Planning and the Association of American Medical Colleges, where she served on the Group on Institutional Planning and the professional development committee. She is also an advisory board member of the Governors Island Preservation & Education Corporation and was recently named to the board of the New York Building Congress. She was an honoree of the NYC Commission on the Status of Women and the recipient of the Art

Trek Award from the Queens Council on the Arts. In 2010, Ms. Match Suna received the Center for Architecture Award from the New York Chapter of the AIA and the Center of Architecture Foundation.

Prior to joining the Medical Center in 1994, Ms. Match Suna was an associate partner at Lee Harris Pomeroy Associates. Previous experience includes directing the NYC office of Payette Associates and positions at Ellerbe Architects & Engineers, SMP Architects and Perkins & Will. She holds a master's degree in architecture from Washington University in St. Louis, Missouri.

Conflicts of Interest and Compliance

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

Medical Staff

As of November 30, 2010, NYUHC had a professional staff of 2,001 physicians, of whom 1,101 were full-time or part-time employees of NYUSM or NYUHC and the remaining 900 were private practice physicians with admitting privileges at NYUHC. As of November 30, 2010, approximately 92% of the active members were board-certified, and the average age of the active staff was approximately 50 years. The following chart illustrates the number of active physicians (which includes active attending physicians and courtesy staff with admitting privileges) by clinical department as of November 30, 2010:

Clinical Department	**Total**
Anesthesiology	125
Cardiothoracic Surgery	14
Dermatology	105
Emergency Medicine	48
Medicine	630
Neurology	72
Neurosurgery	19
OB/GYN	119
Ophthalmology	78
Orthopaedic Surgery	123
Otolaryngology	26
Pathology	38
Pediatrics	183
Psychiatry	109
Radiation Oncology	10
Radiology	112
Rehabilitation	52
Surgery	114
Urology	24
TOTAL	**2,001**

Source: NYUHC records.

NYUHC has been actively recruiting physicians for the last several years with a focus on internal medicine, cardiovascular disease, anesthesiology, pediatrics, neurology and neurosurgery, pulmonary/critical care, orthopaedic surgery, and ophthalmology. The following table illustrates the increase in the number of active physicians with admitting privileges over the last several years:

Total Active Physicians with Admitting Privileges

As of	Total
December 31, 2007	1,788
December 31, 2008	1,838
December 31, 2009	1,892
November 30, 2010	2,001

Source: NYUHC records.

The top ten physicians who individually saw the highest number of patients accounted for 14% of all patient discharges in 2010. The following chart describes those physicians' specialty and number of discharges.

Top 10 Admitting Physicians

Physician Specialty	Patient Discharges	Percent of Total NYUHC Discharges* (37,408 for 2010)
Neurology	621	1.7%
General Medicine	547	1.5%
General Medicine	532	1.4%
General Medicine	470	1.3%
Rehabilitation	413	1.1%
Obstetrics/Gynecology	403	1.1%
Obstetrics/Gynecology	393	1.1%
Rehabilitation	374	1.0%
Rehabilitation	369	1.0%
General Medicine	360	1.0%
TOTAL	**4,482**	**12.2%**

Source: NYUHC records.
* Excludes routine nursery.

Payor Mix

The following table illustrates the payor mix for NYUHC (excluding routine nursery) for each of the three years ended August 31, 2010, 2009 and 2008:

NYU Hospitals Center Discharges by Payor

	Year Ended August 31,		
Payor	2010	2009	2008
Medicare	39%	37%	36%
Medicaid	10%	9%	8%
Blue Cross	16%	16%	16%
Commercial/Other*	4%	4%	4%
Managed Care	31%	34%	36%
TOTAL	**100%**	**100%**	**100%**

Source: NYUHC records.
* Includes commercial payors, workers' compensation, no-fault and self-pay payors.

The following table sets forth the percent of net patient service revenue of NYUHC attributable to commercial payors in 2010.

Payor	Percent of Net Patient Service Revenue in 2010	Product Participation
Aetna	8%	Commercial
Blue Cross	21%	Commercial, Child Health Plus & Medicare
Cigna	4%	Commercial
Health Net	2%	Commercial
Oxford	11%	Commercial & Medicare
United	7%	Commercial
TOTAL	**53%**	

Source: NYUHC records.

Market Share

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

Geographic Origin of Patients of NYUHC

The following chart sets forth the geographic origin of inpatients of NYUHC for the years ended December 31, 2009, 2008 and 2007, the most recent periods for which such data is available:

County	December 31, 2009	December 31, 2008	December 31, 2007
Manhattan	29%	30%	30%
Kings	26%	25%	24%
Queens	12%	12%	12%
Bronx	4%	3%	4%
Staten Island	3%	3%	3%
Total New York City	74%	73%	73%

Source: NYUHC records.

Utilization

The following chart sets forth utilization statistics (excluding routine nursery) for NYUHC for each of the three years ended August 31, 2010, 2009 and 2008:

NYU Hospitals Center Utilization Statistics

	Year Ended August 31,		
	2010	**2009**	**2008**
Discharges	37,408	36,860	38,186
Patient Days	220,463	219,055	228,345
Average Length of Stay (in Days)	5.9	5.9	6.0
Average Daily Census	604	600	626
Average Beds Available	726	759	745
Percent of Occupancy	81%	77%	84%
Emergency Room Visits*	31,195	29,320	27,635
Ambulatory Surgery Visits	28,009	25,643	23,306
Cancer Center Visits	181,566	161,826	150,936
Total Outpatient Visits	240,770	216,789	201,877
Medicare Case Mix Index	2.00	1.97	1.85

Source: NYUHC records.

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

In 2010, total inpatient discharges decreased by 778 (2.0%) and patient days decreased by 7,882 (3.5%) relative to 2008 levels. Emergency room visits increased 3,560 (12.9%) from 2008 to 2010, and ambulatory surgery and cancer center visits increased 4,703 (20.2%) and 30,630 (20.1%), respectively, during the same period. Management attributes the decrease in discharges primarily to reclassification of a number of procedures previously classified as inpatient to classification as outpatient.

Summary of Historical Revenues and Expenses

The following summary statements of operations of NYUHC for the years ended August 31, 2010, 2009, and 2008 were derived from the supplemental combining information included within the combined financial statements of the Medical Center. The combined financial statements include information with respect to NYUHC, NYUSM and the other affiliated entities. See "Affiliation with NYU School of Medicine" and "Affiliated Entities" herein.

NEITHER NYUSM NOR THE OTHER AFFILIATED ENTITIES IN THE COMBINED FINANCIAL STATEMENTS ARE MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, THEY ARE NOT OBLIGATED WITH RESPECT TO THE SERIES 2011A BONDS. NO ASSETS OR REVENUES OF NYUSM OR THE OTHER AFFILIATED ENTITIES ARE AVAILABLE FOR OR PLEDGED TO SECURE THE SERIES 2011A BONDS.

Appendix B to this Official Statement sets forth the audited combined balance sheets of the Medical Center as of August 31, 2010 and 2009, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, together with supplemental combining information and the report of PricewaterhouseCoopers LLP, independent accountants on the 2009 and 2010 combined financial statements. Appendix B includes financial information for NYUSM and other affiliated entities that are not obligated with respect to the Series 2011A Bonds.

The summary statements of operations should be read in conjunction with the complete combined financial statements and supplemental combining information of the Medical Center for 2010, 2009 and 2008, together with the related notes and the independent accountants' report included in Appendix B.

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

	Year Ended August 31,		
	2010	**2009**	**2008**
Operating revenue			
Net patient service revenue	$ 1,504,484	$ 1,297,513	$1,123,180
Grants and sponsored programs	3,880	2,554	3,210
Contributions	7,355	4,943	13,631
Endowment distribution and return on short-term investments	1,732	14	7,331
Other revenue	42,620	58,721	39,403
Net assets released from restrictions for operating purposes	10,281	10,300	10,201
Total operating revenue	1,570,352	1,374,045	1,196,956
Operating Expenses			
Salaries and wages	531,679	496,629	471,388
Employee benefits	151,875	146,503	137,751
Supplies and other	596,043	527,597	454,272
Depreciation and amortization	55,170	42,666	44,199
Interest	25,780	22,780	22,236
Patient care bad debt expense	14,282	26,490	31,582
Total operating expenses	1,374,829	1,262,665	1,161,428
Gain from operations	195,523	111,380	35,528
Other items			
Loss on disposals of property, plant and equipment	(1,101)	(3,456)	-
Mission based payment to NYUSM	(50,000)	-	-
Investment return less than endowment distribution, net	618	(8,014)	26
Excess of revenue over expenses	145,040	99,910	35,554
Other changes in unrestricted net assets			
Changes in pension and postretirement obligations	(61,031)	(44,859)	7,306
Contributions for capital asset acquisitions	962	-	-
Net assets released from restrictions for capital purposes	15,447	8,440	9,368
Transfer of equity	(3,250)	(2,900)	-
Other	-	-	(318)
Net increase in unrestricted net assets	$ 97,168	$ 60,591	$ 51,910

Source: *NYUHC records. See page 36 of Appendix B.*

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

Management's Discussion of Recent Financial Performance

Overview

From 2008 through 2010, NYUHC's financial performance improved from an increase in unrestricted net assets of $51.9 million in 2008 to an increase in unrestricted net assets of $97.2 million in 2010. Over the same three year period, NYUHC's gain from operations increased from $35.5 million in 2008 to $195.5 million in 2010. Management attributes these results to a combination of several factors, including growth in outpatient volume, revenue cycle improvements, and managed care rate increases.

Years Ended August 31, 2010 and 2009

For the year ended August 31, 2010, NYUHC recorded a gain from operations of $195.5 million and a $97.2 million net increase in unrestricted net assets compared with a gain from operations of $111.4 million and a net increase in unrestricted net assets of $60.6 million for the year ended August 31, 2009. The 2010 performance equates to an operating margin of 12.5% for the year ended August 31, 2010, compared to an 8.1% operating margin for the year ended August 31, 2009.

For the year ended August 31, 2010, NYUHC recorded total revenue of $1.6 billion: 57% from inpatient operations; 39% from outpatient operations; and 4% from other sources. As compared to the year ended August 31, 2009, net patient revenue increased by $207.0 million or 16%. Management attributes the increase in net patient revenue primarily to continued growth in the ambulatory services other than clinic visits, inpatient and outpatient rate increases, and continued improvements in revenue realization through revenue cycle initiatives. See "Liquidity and Investments" below.

Operating expenses for the year ended August 31, 2010 rose 8.9% to $1.4 billion compared with $1.3 billion for the year ended August 31, 2009. Operating expenses were comprised of: 50% salaries and benefits; 43% supplies; 4% depreciation and amortization; 2% interest; and 1% bad debt expense. Management attributes these increases primarily to the growth in inpatient and ambulatory volume, increased employee salary and benefit costs, medical supplies and purchased services.

Years Ended August 31, 2009 and 2008

For the year ended August 31, 2009, NYUHC recorded a gain from operations of $111.4 million and a $60.6 million net increase in unrestricted net assets after accounting for such items compared with a gain from operations of $35.5 million and a net increase in unrestricted net assets of $51.9 million for the year ended August 31, 2008. The 2009 performance equates to an operating margin of 8.1% compared to 3.0% for the year ended August 31, 2008. For the year ended August 31, 2009, NYUHC recorded total revenue of $1.4 billion: 59% from inpatient operations; 35% from outpatient operations; and 6% from other sources. As compared to the year ended August 31, 2008, net patient revenue increased by $174.3 million or 16%. Operating expenses for the year ended August 31, 2009 rose 8.7% to $1.3 billion compared with $1.2 billion for the year ended August 31, 2008. Operating expenses were comprised of: 51% salaries and benefits; 42% supplies; 3% depreciation and amortization; 2% interest; and 2% bad debt expense. Management attributes these increases primarily to the increase in ambulatory volume, increased employee salary and benefit costs, medical supplies and purchased services.

Financial Planning and Budgetary Process

The Medical Center has developed a long range financial plan ("LRFP") which assesses future challenges and opportunities and sets forth the financial road map to help achieve the Medical Center's strategic goals and objectives. The LRFP is updated annually and establishes the targets and guidelines for the development of the annual capital and operating budgets.

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

Maximum Annual Debt Service Coverage

The following table sets forth Income Available for Debt Service for NYUHC for the three years ended August 31, 2010, 2009 and 2008. It is derived from the corresponding information contained in the audited combined financial statements for the fiscal years ended August 31, 2010 and 2009, included in Appendix B. The following schedule also shows, on a pro forma basis, the resulting coverage by such Income Available for Debt Service of the maximum annual debt service in any future bond year assuming the issuance of the Series 2011A Bonds.

	Year Ended August 31,		
	2010	**2009**	**2008**
		(dollars in thousands)	
Excess of revenues over expenses	$145,040	$ 99,910	$ 35,554
Loss on disposals of property, plant and equipment	1,101	3,456	-
Mission based payment to NYUSM	50,000	-	-
Investment return less than endowment distribution, net	(618)	8,014	(26)
Depreciation	55,170	42,666	44,199
Interest	25,780	22,780	22,236
Income Available for Debt Service	$276,473	$176,826	$101,963
Divided by:			
Maximum Annual Debt Service	$ 47,530	$ 44,559	$ 44,559
Maximum Annual Debt Service Coverage*	5.82	3.97	2.29
Pro Forma Maximum Annual Debt Service**	$ 51,662	$ 51,662	$ 51,662
Pro Forma Maximum Annual Debt Service Coverage**	5.35	3.42	1.97

Source: NYUHC records.

* Debt service coverage is calculated in accordance with the Master Indenture.

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

Liquidity and Investments

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

	As of August 31,		
	2010	**2009**	**2008**
		(dollars in thousands)	
Cash and cash equivalents	$ 249,576	$ 224,222	$ 136,373
Short-term assets whose use is limited	125,536	6,441	16,640
Short-term marketable securities	3,892	4,140	38,873
Long-term assets whose use is limited	73,582	95,787	118,697
Long-term marketable securities	19,437	16,309	27,983
Less: Restricted Funds	(41,864)	(63,759)	(93,352)
Total Cash per Master Indenture	$ 430,159	$ 283,140	$ 245,214
Operating Expenses	$1,374,829	$1,262,665	$1,161,428
Depreciation and amortization	(55,170)	(42,666)	(44,199)
Other Adjustments per Master Indenture	8,171	(5,473)	(11,919)
Total	$1,327,830	$1,214,526	$1,105,310
Days Cash on Hand*	118	85	81

Source: NYUHC records.

* Excludes $150 million bank lines of credit which may or may not be drawn upon to manage organizational liquidity. As of December 20, 2010, NYUHC had drawn $30 million under one of the lines of credit.

Reimbursement Methodologies

Medicare

Medicare covers hospital services for eligible individuals who are elderly, disabled or subject to certain chronic conditions. Medicare pays acute care hospitals, such as NYUHC, for most general medical/surgical services provided to eligible inpatients under a prospective payment system ("PPS") known as "inpatient PPS." Under the inpatient PPS, hospitals receive a predetermined payment amount for each Medicare discharge. This PPS payment is a standard national amount based on the diagnostic related group ("DRG") for the discharge subject to a geographic adjustment that takes into account wage differentials. DRGs classify treatments for illnesses according to the estimated costs of hospital resources necessary to furnish care for each patient's principal diagnosis and establish a payment amount for that diagnosis treatment group. Hospitals are thus at financial risk for providing services to a patient at an actual cost greater than the applicable DRG payment. DRG weights are recalibrated annually.

In October, 2008, CMS implemented a new DRG system intended to ensure that payments more accurately reflect the costs of services provided by hospitals by better recognizing the severity of a patient's illness. The new DRG system, referred to as the Medicare-Severity DRGs ("MS-DRGs"), modifies the basic logic of the previous system and includes three severity levels: major complication and comorbidities ("MCC"), complication and comorbidities ("CC") and non-CC. DRG rates are updated annually by the hospital market basket percentage increase, which is the measure of the inflation experienced by hospitals in purchasing the goods and services they need to provide inpatient services. Historically, the increases to the DRG rates were often lower than the percentage increases in the costs of goods and services purchased by hospitals. Since October 1, 2004, the annual market basket increase has been contingent upon a hospital's submission of certain quality of care measures; hospitals that fail to report the quality information receive a 2% reduction in their market basket updates. As of October 1, 2010, there are 41 core measures that must be reported. NYUHC submitted the quality data necessary to obtain full inpatient rate increases for all applicable years.

CMS also implemented a provision of the Deficit Reduction Act of 2005 (the "DRA") that aims to prevent Medicare from paying hospitals for the additional costs of treating a patient who acquires a condition (including an infection) during a hospital stay. The DRA required hospitals to begin reporting diagnoses that are present on the admission of patients beginning with discharges on or after October 1, 2007. Medicare no longer pays hospitals for cases with these conditions at the higher rate unless the diagnosis was present upon admission. Certain hospitals, including NYUHC, receive additional payment from Medicare for the direct costs of graduate medical education ("GME"). Direct graduate medical education costs ("DGME") are reimbursed under a prospective methodology based on a hospital-specific approved amount per resident. Medicare also makes additional payments to PPS teaching hospitals for the indirect medical education ("IME") costs attributable to their approved graduate medical education programs. The IME payment is an additional yearly payment calculated as a percentage add-on to the inpatient DRG payment. The payment is based on a formula that incorporates the hospital's ratio of residents to beds in use and total inpatient PPS revenue. DGME and IME reimbursement is subject to certain limitations, including a cap on a hospital's reimbursable residents based on the number of residents in a base year. CMS has repeatedly sought to limit DGME and IME reimbursement. In calendar year 2009, NYUHC received $61.8 million in reimbursement for DGME and IME.

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

Certain hospital inpatient facilities or units providing specialized services, such as rehabilitation or psychiatric units, are reimbursed under different reimbursement methodologies. Medicare implemented a prospective payment system whereby patients receiving rehabilitation services are classified into case mix groups based upon impairment, age, co-morbidities and functional capability, and a distinct PPS for inpatient psychiatric services whereby hospitals will receive a predetermined per diem payment with adjustments for factors such as patient characteristics, DRG, hospital teaching status, and geographic area wage levels. Rehabilitation and psychiatric PPS rates are also subject to the market basket reductions included in the health care reform legislation. See PART 8 – "RISK FACTORS AND REGULATORY CONSIDERATIONS THAT MAY AFFECT THE OBLIGATED GROUP – National Health Reform." There is no assurance that these payments are sufficient to cover the actual cost of providing hospital services. Most hospital outpatient services are also reimbursed on a PPS basis.

Payments under the outpatient PPS ("OPPS") are based upon ambulatory payment classification ("APC") groups; an APC group includes various clinically similar services with a single rate for all services in the group. CMS continues to implement changes to the outpatient payment system. There is no assurance that the hospital OPPS rates are sufficient to cover the actual costs of outpatient hospital services.

APC rates include geographic adjustment that takes into account wage differentials and are adjusted annually and are subject to the market basket reduction included in the PPAC. The Tax Relief and Health Care Act of 2006 ("TRHCA") required the Secretary of Health and Human Services to develop measures to make it possible to assess the quality of care (including medication errors) provided by hospitals in outpatient settings. As of October 1, 2010, 11 outpatient measures are required for hospitals to receive the full outpatient prospective payment system market basket update. NYUHC has submitted the quality data necessary to obtain full inpatient rate increases for each applicable year. The TRHCA also required expansion of the Medicare Recovery Audit Contractor ("RAC") program under which RACs paid on a contingent fee basis conduct audits to identify Medicare overpayments and underpayments. The RAC program is intended to detect and correct improper Medicare payments by reviewing claims data received from a hospital's fiscal intermediary on a quarterly basis. The RAC auditors are authorized to look back four years from the date the claim was paid and to review the appropriateness of each claim by applying the same standards and guidance as would a Medicare contractor at the time.

Medicaid, Blue Cross and Commercial Insurance Carriers

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

On January 1, 1997, the New York Health Care Reform Act ("NYHCRA") took effect and deregulated the prior inpatient hospital payment system for all non-Medicare payors except Medicaid and certain miscellaneous payors (such as No-Fault and Workers' Compensation). Under NYHCRA, all non-Medicare payors, except those covered by Medicaid, No-Fault and Workers' Compensation, are billed at privately negotiated, hospital-specific contracted rates, or, if no contracts have been negotiated, at the hospital's established charges. This change has materially affected the New York health care market by greatly increasing competition among acute care hospitals.

NYHCRA established mechanisms to finance so-called "public goods" consisting of funding for hospital indigent care and GME costs, as well as health care initiatives such as workforce recruitment and retention payments, Child Health Plus and various public health initiatives. Third-party payors are encouraged, through fiscal incentives, to contribute certain surcharge and assessment amounts directly to public good pools, although they retain the option of paying these amounts, plus penalties, directly to designated providers at the point of service. The Indigent Care and GME pool contributions were distributed to hospitals based on various methodologies approved by the New York State legislature. NYHCRA provisions have been periodically updated and were most recently extended through December 31, 2011.

Effective December 1, 2009, a revised inpatient rate system has been implemented for Medicaid, worker's compensation and no-fault payors. The New York State Department of Health has issued a blended rate effective October 1, 2010 based on a single statewide base price that combines Medicaid fee-for-service and Medicaid managed care rates. This rate is to be used as the default and contract base prices for Medicaid Managed Care inpatient stays.

Managed Care

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

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

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

Future Plans

NYUHC faces a critical need to upgrade and/or replace its principal clinical facilities. A trustee-led committee has adopted a strategic facilities plan to address this need, which incorporates the evolving trend of change of venue on care from inpatient to outpatient/ambulatory care. Management has been implementing the plan over the past two years and has rolled out a major development campaign, but full implementation of the plan will require additional borrowing in the future. See "Future Facilities Plans and Additional Borrowing" above.

Second, NYUHC needs to maintain the positive financial performance achieved during the past fiscal year and continue to build adequate liquidity despite the need to make significant investments in its physical plant and to fund material pension liabilities. See "Liquidity and Investments" above. While there can be no assurance that NYUHC will successfully meet these challenges, management believes that NYUHC continues to make progress on these issues.

Third, NYUHC and NYUSM need to position themselves to continue to succeed under the provisions of the health reform legislation adopted earlier this year. Each has made substantial investments in information technology and development of physician leaders to improve the quality of care provided to patients before, during and after their treatment at NYUHC.

Employees and Benefit Programs

As of August 31, 2010, NYUHC had 7,750 full-time equivalent employees, including 1,506 full-time equivalent registered nurses and 15 full-time equivalent licensed practical nurses. NYUHC is self-insured for the medical and pharmaceutical benefits for its employees. NYUHC employs approximately 2,954 employees represented by Service Employees International Union Local 1199 ("Local 1199"). These employees include selected registered nurses, professional staff (physical therapists, pharmacists, social workers, etc.), technical staff (clinical laboratory technicians/technologists, x-ray technicians, EKG technicians, pharmacy technicians, etc.), ancillary staff (licensed practical nurses, physical therapy and occupational therapy assistants, pharmacy aides, etc.) and service staff (building service staff, food service staff, etc). NYUHC's Collective Bargaining Agreement with Local 1199 expires April 30, 2015. NYUHC also employs approximately 133 employees represented by the International Brotherhood of Teamsters, Local 810 ("Local 810"). These employees include skilled craftpersons such as electricians, plumbers, painters, refrigeration mechanics and carpenters. NYUHC's Collective Bargaining Agreement with Local 810 expires June 30, 2012. In addition, NYUHC employs approximately 98 employees represented by Local One of the Security Officers Union ("Local One"). These employees include security officers, security specialists and security sergeants. The Collective Bargaining Agreement with Local One expires February 28, 2014. NYUHC also employs approximately 10 security officers at the HJD Campus who are represented by the Brotherhood of Security Personnel Officers and Guards International Union (the "Brotherhood"). The collective bargaining agreement with the Brotherhood expires January 31, 2013. Management believes its relationship with its employees to be generally good.

Pension Programs

Substantially all NYUHC employees are covered by various defined contribution plans and two NYUHC-sponsored defined benefit plans. NYUHC contributes to its defined contribution plans based on rates required by union or other contractual arrangements. NYUHC contributed approximately $25.0 million and $21.5 million to the defined contribution plans in 2010 and 2009, respectively. The defined benefit plans were frozen as of July 1, 2000 and are no longer available to any new participants. Contributions to defined benefit plans are intended to provide for benefits attributed to service to date as well as those expected to be earned in

the future. They are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 plus such additional amounts as the sponsors may deem appropriate from time to time. NYUHC contributed approximately $29.7 million and $16.0 million to the defined benefit plans in 2010 and 2009, respectively, and expects to contribute approximately $25.3 million in 2011. Pension benefits under the defined benefit plans are based on participants' final average compensation levels and years of service. The measurement date for these defined benefit plans is August 31, 2010. As of August 2010, the defined benefit plans are approximately 85% funded. See footnote 8 to Appendix B to this Official Statement for additional information.

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

Philanthropy

NYUHC and NYUSM have historically collaborated to raise money for the Medical Center. NYUHC received cash contributions and pledges totaling $276.9 million in calendar year 2008, $10.6 million in calendar year 2009 and $12.4 million for the first ten calendar months of 2010. In a 15 month period spanning 2008 and 2009, the Medical Center received four gifts in excess of $100 million, including a $200 million gift from Elaine Langone and Kenneth Langone, Chairman of the Board and NYU School of Medicine Advisory Board.

Financial Assistance Policy

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

Licensure and Accreditation

NYUHC is licensed by the New York State Department of Health and has received three year accreditation from The Joint Commission and the Commission on the Accreditation of Rehabilitation Facilities for its inpatient adult and pediatric rehabilitation programs. NYUHC is also certified by the United States Department to Health and Human Services for participation in the Medicare and Medicaid programs.

Professional and General Liability Insurance Program

NYUHC carries an all-risk property insurance policy on its buildings and contents, including fire and allied lines and boiler and machinery written on a replacement cost basis. NYUHC also carries commercial general liability insurance with a combined single limit of $2 million per occurrence and $2 million annual aggregate limit for property damage and bodily injury; vehicle liability and physical damage insurance covering its leased and owned vehicles; commercial crime and fidelity insurance; directors and officers liability insurance; and miscellaneous errors and omissions coverage. NYUHC also carries excess umbrella liability policies with a combined limit of $300 million per occurrence/aggregate above the general liability policy. In addition to these policies, NYUHC is self-insured for statutory workers' compensation and disability insurance as required by law. NYUHC maintains professional liability insurance, which consists of a combination of captive insurance and commercial insurance. See Appendix B, footnote 7, for information concerning NYUHC's professional liability insurance program, actuarial estimates relating to loss reserves, and the status of deferred premiums. In the opinion of management, based on prior experience, NYUHC's potential malpractice losses are fully and adequately insured. To date, no loss has been sustained which has exceeded NYUHC's insurance coverage.

Litigation

Professional and general liability claims have been asserted against NYUHC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by counsel to NYUHC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and such other claims may arise. It is the opinion of management, based on prior experience, that adequate insurance is maintained to provide for all significant professional liability losses that may arise, and that the eventual liability from general liability claims, if any, will not have a material adverse effect on the financial position or the results of operations of NYUHC or on its ability to make required debt service payments on the Series 2011A Bonds. There is no litigation pending or threatened against NYUHC (other than claims against which NYUHC is fully insured) that, in the opinion of management, would materially adversely affect NYUHC's ability to meet its obligations with respect to the Series 2011A Bonds.

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

The following discussion of risks to holders of the Series 2011A Bonds is not intended to be exhaustive, but rather to summarize certain matters which could affect payment of the Series 2011A Bonds, in addition to other risks described throughout this Official Statement. Please note that the following risk factors and regulatory considerations are described in the context of NYUHC as the sole current Member of the Obligated Group. To the extent that additional entities become Members of the Obligated Group in the future, these risk factors and regulatory considerations would generally be applicable to the Obligated Group as a whole.

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

General

The Series 2011A Bonds are not a debt or liability of the State of New York or any political subdivision thereof, but are special and limited obligations of the Authority payable solely from the Revenues which consist of payments payable by NYUHC pursuant to the Loan Agreement, payments by the Institution pursuant to the Series 2011A Obligation, the funds and accounts held by the Trustee pursuant to the Series 2011A Resolution (except the Arbitrage Rebate Fund) and certain investment income thereon. The Authority has no taxing power. No representation or assurance can be made that revenues will be realized from NYUHC in amounts sufficient to provide funds for payment of debt service on the Series 2011A Bonds when due and to make other payments necessary to meet the obligations of NYUHC. Further, there is no assurance that the revenues of NYUHC can be increased sufficiently to match increased costs that may be incurred.

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

Future revenues and expenses of NYUHC may be affected by events and economic conditions, which may include an inability to control expenses in periods of inflation, as well as other conditions such as demand for healthcare services; the capability of the management of NYUHC; the receipt of grants and contributions; referring physicians' and self-referred patients' confidence in NYUHC; and increased use of contracted discounted payment schedules with health maintenance organizations ("HMOs"), preferred provider

organizations ("PPOs") and other payors. Other factors which may affect revenues and expenses include the ability of NYUHC to provide services required by patients; the relationship of NYUHC with physicians; the success of NYUHC's strategic plans; the degree of cooperation among and competition with other hospitals in NYUHC's area; changes in levels of private philanthropy; malpractice claims and other litigation; economic and demographic developments in the United States and in the service areas in which NYUHC is located; changes in interest rates that affect the investment results; and changes in rates, costs, third-party payments (including, without limitation, Medicare and Medicaid program reimbursement) and governmental regulations concerning payment. All of the above referred to factors could affect NYUHC's ability to make payments pursuant to the Loan Agreement and under the Series 2011A Obligation. See "PART 7 – NYU HOSPITALS CENTER" and the combined financial statements, related notes, and other financial information included in Appendix B of NYU Langone Medical Center as of August 31, 2010 and 2009.

National Health Reform

In March 2010, the President signed into law comprehensive health reform through the Patient Protection and Affordable Care Act (Pub. L. 111-148) and the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152), together known as the Affordable Care Act. The final legislation and implementing regulations could have a material adverse effect on healthcare providers such as the Institution and, in turn, the Institution's ability to make payments under the Loan Agreement. Given the many interconnected components of reform and its impact on both private and public insurance programs, it is difficult to predict whether the net impact will be positive or negative.

Expansions in private insurance through new state-based health insurance exchanges, public program expansions through Medicaid, and individual and employer requirements related to insurance coverage, will likely decrease the number of uninsured patients. However, the ultimate provider rates under exchange plans, the comprehensiveness of those plans, and the numbers of residual uninsured could all be of financial impact to the Institution. In addition, the Medicaid expansion could both increase the number of insured individuals, but also impose significant new Medicaid-related financial burdens on the State. So-called "expansion states" like New York will have fewer newly eligible beneficiaries and receive less initial federal financial assistance than some other States, although the federal government will phase-in increased assistance for already covered non-pregnant childless adults. The State's fiscal status could in turn impact the rates paid to providers under Medicaid.

The delivery system changes in the reform legislation, among other things, will increasingly link the Institution's payments under public programs to quality and coordination of care. Hospitals will be subject to Medicare payment withholds or bonuses based on performance scores under a new value-based purchasing program, and hospitals with excess readmissions will face payment reductions. Under both Medicare and Medicaid, hospitals will not receive payments for certain hospital-acquired conditions, and hospitals with the highest rates of hospital-acquired conditions will be subject to Medicare payment penalties on all discharges. In addition, there will be opportunities to participate in pilot programs and demonstrations in Medicare and Medicaid that could impact reimbursement.

The reform legislation implements significant changes to health care fraud and abuse laws that will intensify the risks and consequences of enforcement actions. These include: expansion of the False Claims Act; lessening of the intent requirements under the anti-kickback statute; and new funding and expanded powers to investigate fraud, including through expansion of the Medicare Recovery Audit Contractor program to Medicaid, and to more of the Medicare program. The legislation creates enhanced penalties for noncompliance, including increased criminal penalties and expansion of administrative penalties under Medicare and Medicaid. Also of potential cost to the Institution, all hospitals must establish and maintain compliance programs that satisfy certain federal requirements as a condition of enrollment in Medicare, Medicaid and the Children's Health Insurance Program. New York's Office of the Medicaid Inspector General ("OMIG") has issued a Work Plan that, among other things, emphasizes enforcement of new requirements included in the national health reform legislation, specifically, requirements regarding identification and refunding of overpayments.

Finally, several provisions included to fund the cost of health reform could have an adverse impact on provider payment rates. These include reductions in Medicare market basket updates and cuts in Medicare and Medicaid disproportionate share hospital payments for providing care to low income and uninsured patients. In addition, there will be a new Independent Payment Advisory Board providing annual recommendations on curtailing Medicare cost growth and non-binding recommendations on constraining costs and improving quality in the private sector. Starting in 2020, the Medicare proposals related to hospital payments will be automatically implemented unless Congress passes an alternative package that meets the same savings targets. There are also significant changes to federal payments to Medicare Advantage plans that could in turn affect, either positively or negatively depending on the plan's performance, the scope of coverage of these plans and their payments to the Institution.

The impact of these wide-ranging reform initiatives and the mechanisms to finance them will be significant for the health care industry as a whole. The Institution's management is not able to predict the effect of the health care reform legislation.

Economic Turmoil

The current economic turmoil has had and will continue to have negative repercussions upon the United States and global economies. In the last year or so, this turmoil has particularly affected the financial sector, prompting a number of banks and other financial institutions to seek additional capital, to merge, and, in some cases, to cease operating. These events collectively have led to a scarcity of credit, lack of confidence in the financial sector, volatility in the financial markets, fluctuations in interest rates, reduced economic activity, increased business failures and increased consumer and business bankruptcies.

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

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

President Obama recently signed into law economic recovery legislation that provides a temporary increase in federal Medicaid payments to the states, including New York, to enable states to maintain Medicaid benefits, as well as an increase in state DSH allotments allowing states to assist providers in continuing to care for the uninsured. The legislation also provides temporary federal subsidies to individuals who have lost their jobs to maintain their employer-based benefits through the Consolidated Omnibus Budget Reconciliation Act ("COBRA") program, which may help stem health insurance losses as a result of the economic turmoil.

Legislative, Regulatory and Contractual Matters Affecting Revenue

The Institution is subject to a wide variety of federal and state regulatory actions, and a substantial portion of the Institution's revenue is derived from governmental sources. Governmental revenue sources are subject to legislative and policy changes by the governmental and private agencies that administer Medicare, Medicaid, other third-party payors, and governmental payors and actions by, among others, the Joint Commission, CMS (an agency of DHHS), and other federal, state and local government agencies. These agencies have broad discretion to alter or eliminate programs that contribute significantly to revenues of the Institution. In the past, there have been frequent and significant changes in the methods and standards used by

government agencies to reimburse and regulate the operation of hospitals. No assurances can be given that further substantial changes will not occur in the future or that payments made under such programs will remain at levels comparable to the present levels or that they will be sufficient to cover all existing costs. While changes are anticipated, the impact of such changes on the Institution cannot be predicted.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("MMA") established many changes to the Medicare program, including revisions to Indirect Medical Education funding and expanded coverage for other costs and services. These and future Medicare funding changes could have an adverse effect on hospitals.

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

State Budget

New York State's 2009 - 2010 budget's objective is decreasing the growth in statewide Medicaid spending and reform via an investment in primary care and ambulatory care paid for by a reduction in inpatient spending. NYUHC contemplated these items in its 2010 budget. See "PART 7 – NYU HOSPITALS CENTER – *Reimbursement Methodologies-Medicaid, Blue Cross and Commercial Insurance Carriers*."

New York State reimbursement methodologies include a system of state-imposed assessments and surcharges on various categories of third party payors for healthcare services that fund annual state-operated pools for indigent care, healthcare initiatives, and professional education. Other funding comes from conversion proceeds generated by the privatization of Empire Blue Cross/Blue Shield and revenues from cigarette taxes. NYUHC receives significant payments from such pools, and no assurances can be given that substantial changes in these programs will not occur, nor that subsequent payments will remain at levels comparable to the present level.

The 2009-10 budget agreed to by Governor Paterson and the New York State Legislature includes many changes in addition to those mentioned in "PART 7 – NYU HOSPITALS CENTER – *Reimbursement Methodologies-Medicaid, Blue Cross and Commercial Insurance Carriers"*. Most notably, the budget eliminated the Professional Education Pool which is funded by contributions by commercial insurers and managed care companies through an assessment on covered lives which was intended as a safety net for teaching hospitals with managed care contracts. These funds were taken to increase the funding to the Indigent Pool. Over time, the State expects to distribute the funds to hospitals based on a new formula in recognizing the cost of uncompensated care. This budget also eliminated the "Workforce Recruitment and Retention" funding as part of the re-basing of inpatient acute Medicaid reimbursement rates.

In connection with the adoption of the budget for the State's fiscal year 2005-2006, the Legislature authorized the creation of a "Commission on Health Care Facilities in the Twenty-First Century" charged with studying the State's hospital and nursing home systems and making recommendations for closure, resizing, conversion, consolidation and restructuring (commonly referred to as the "Berger Commission"). In making recommendations, the Berger Commission considered hospital and nursing home capacity in each region of the State, the economic impact of rightsizing actions, capital debt of affected facilities, the existence of other health care providers in the region, the availability of services for the uninsured, underinsured, and Medicaid populations, and additional factors as determined by the Commissioner of Health or the Berger Commission. NYUHC was not recommended for closure, reconfiguration or merger by the Berger Commission report.

Managed Care and Other Private Initiatives

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

Typical payment methodologies that have been established include severity-adjusted case neutral rates; per diem rates for stays in a rehabilitation unit or a psychiatric unit; case rates for obstetric deliveries, open heart surgeries and other tertiary level services; discounts from full charges; and set fees for outpatient services. Capitation and risk arrangements, which carry significant risk for providers, have not been and likely will not become in the near future an important factor in NYUHC's reimbursement. Management believes NYUHC, on a yearly contracting basis, has developed equitable pricing arrangements with most of the payors with which it contracts. As part of these negotiated contracts, NYUHC has developed payment terms limiting the extent to which a payor may retroactively deny payments for services, which has been a common practice among managed care companies. The contracts also define requirements for insurers to conduct concurrent and prospective reviews. Some contracts contain provisions for advances and Periodic Interim Payments ("PIP") as well as other terms that are financially acceptable to NYUHC. However, these contracts have finite terms and are subject to renegotiation, and managed care payors are expected to continue to seek ways to reduce the utilization of healthcare services.

Traditional insurance companies and managed care organizations in the State are increasingly offering managed care programs, including various payment methodologies and utilization controls through the use of primary care physicians. Enrollment in managed care programs has increased, and managed care programs are expected to have a greater influence on the manner in which healthcare services are delivered and paid for in the future. In addition, some managed care organizations have been delaying reimbursements to hospitals, thereby affecting cash flows. NYUHC's financial condition may be adversely affected by these trends.

Medicare and Medicaid Managed Care

The Medicare Program has encouraged the development of managed care products for Medicare beneficiaries. Enrollment in a Medicare managed care product is voluntary and enrollees may disenroll and re-enroll in the traditional fee-for-service Medicare system. Medicare managed care products can be offered only by a licensed HIVIO or a specially approved network called a Provider Sponsored Organization ("PSO"). At this time, the New York region has a limited number of approved PSOs.

The federal Medicare program pays the HMO a pre-established monthly premium for each Medicare beneficiary who voluntarily enrolls in an HMO product. The premium levels are set at a regional average price adjusted by each enrollee's age, gender and other considerations. In return for the premium, the HMO pays for all the covered and medically necessary services delivered to the enrollee in the month. The HMO is at full financial risk for costs incurred for caring for its enrollees in the given month, as described above.

NYUHC also participates in the federal and New York State Medicaid program. In order to control Medicaid expenditures, the State has sought to enroll large numbers of Medicaid patients in managed care programs because experience in other states has shown that inpatient utilization decreases for Medicaid recipients who are enrolled in such programs. The rules for the enrollment of Medicaid patients in managed care programs, premium payments to managed care organizations, and the resulting and potential financial risks to NYUHC are similar to those already discussed for Medicare managed care programs.

New York State's program for mandatory Medicaid enrollment, The Partnership Plan (also known as the 1115 Waiver), was approved by CMS in July 1997, allowing the State to begin enrolling most Medicaid recipients in managed care plans. Mandatory enrollment programs are now in place in all of New York City and a significant portion of the Medicaid eligible population has been enrolled in managed care plans. The

change to Medicaid managed care may also result in a decrease in Medicaid patient revenue over time, although currently the contracts in place are at, or just slightly below, traditional Medicaid reimbursement. The teaching component of Medicaid reimbursement is expected to continue to be paid by the State directly to the hospitals.

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

Outlier Payments

In 2002, CMS initiated an audit of aggressive pricing strategies at one of the nation's largest hospital chains. The audit, which was designed to determine whether outlier payments to the hospitals were paid in accordance with Medicare regulations, focused on whether the charge data used by the hospitals to calculate their outlier reimbursements was inflated to increase reimbursements. The United States Department of Health and Human Services, Office of the Inspector General ("OIG") and the Department of Justice have also initiated probes into the potentially abusive billing practices of such organizations.

Following the initiation of this audit, CMS issued Program Memoranda to its fiscal intermediaries (i.e., non-governmental organizations or agencies that contract with the federal government to process Medicare claims) directing them to analyze outlier payments and to identify other hospitals across the country with high outlier payments. CMS indicated that hospitals found to have engaged in strategies to obtain excessive outlier payments could be referred to the CMS Program Integrity Unit for further investigation, and, where appropriate, to the OIG for investigation and/or prosecution. CMS also issued a rule that would change the way outlier payments are calculated in the future. There can be no assurance that NYUHC will not become the subject of an audit in the future with respect to its outlier payments. See "PART 7 – NYU HOSPITALS CENTER – *Reimbursement Methodologies."*

Regulatory Reviews and Audits

The Institution, like other health care institutions, is subject to regulatory review and audit on its governmental reimbursement. Based on the results of such reviews, the Institution may be required to repay previously received reimbursement. One such audit is the Medicare Recovery Audit Contact Initiative. This review calls for a three-year recovery audit demonstration project in states with the highest per capita Medicare expenditure in order to test and ensure the accuracy of Medicare payments. The states under review for this demonstration project include New York, California and Florida. The review is scheduled to begin in the next several months. The Institution cannot determine at this time if it will be the subject of an audit or, if an audit is undertaken, whether it would result in a material repayment obligation.

The New York Attorney General commenced an informal, industry-wide inquiry in 2005 regarding amounts recognized as reserves, however denominated, on the institutional cost report and/or financial statement of New York's skilled nursing facilities and hospitals. The Institution has responded to this request. It is too early to determine whether the inquiry will take the form of a formal investigation or otherwise have a material adverse impact on New York hospitals, including the Institution.

Litigation and Claims

NYUHC is involved in litigation and claims which are not considered unusual to its business. While the ultimate outcome of these lawsuits cannot be determined at this time, it is the opinion of management that the ultimate resolution of these claims will not have a material adverse effect on NYUHC.

Competition

Payments to the hospital industry have undergone rapid and fundamental change triggered by the deregulation of the acute care hospital reimbursement system and the requirement to negotiate all non-government contracts and prices. Such changes may further increase competitive pressures on acute care

hospitals, including NYUHC. NYUHC faces and will continue to face competition from other hospitals, integrated delivery systems and ambulatory care providers that offer similar healthcare services.

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

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

Workforce Shortages

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

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

Labor Relations and Collective Bargaining

Hospitals and other health care providers often are large employers with a wide diversity of employees. Increasingly, employees of hospitals and other providers are becoming unionized, and many hospitals and other providers, including NYUHC, have collective bargaining agreements with one or more labor organizations. See "PART 7 – NYU HOSPITALS CENTER – Employees and Benefit Programs." Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to NYUHC. In addition, employee strikes or other adverse labor actions may have an adverse impact on NYUHC.

Federal "Fraud and Abuse" Laws and Regulations

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

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

Federal and State False Claims Acts

The federal criminal False Claims Act ("criminal FCA") makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and/or a fine. The federal civil False Claims Act ("civil FCA"), one of the government's primary weapons against health care fraud, allows the United States government to recover significant damages from persons or entities that submit fraudulent claims for payment to any federal agency through actions taken by the United States Attorney's Office or the Department of Justice. The State of New York also has a False Claims Act that closely tracks the civil FCA (the "New York State FCA"). It imposes penalties and fines on individuals and entities that file false or fraudulent claims for payment from any state or local government, including health care programs such as Medicaid. The civil FCA and New York State FCA also permit individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government.

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

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

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

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

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

A financial relationship, for purposes of the Stark Law and State Provisions (the Stark Law and State Provisions are hereinafter collectively referred to as "Stark") is defined as either an ownership or investment interest in the entity or a compensation arrangement between the practitioner (or immediate family member) and the entity. An ownership or investment interest may be through equity, debt, or other means and includes an interest in an entity that holds an ownership or investment interest in an entity providing the designated

health services. Many ordinary business practices and economically desirable arrangements with physicians would constitute "financial relationships" within the meaning of Stark.

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

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

Regulation of Patient Transfer

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

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

Civil Monetary Penalty Act

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

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

Exclusions from Medicare or Medicaid Participation

The Secretary of DHHS is required to exclude from governmental program participation (including Medicare and Medicaid) for not less than five years any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, felony fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. DHHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. The New York State

Office of the Medicaid Inspector General also has the authority to exclude individuals and entities from participation in Medicaid. Providers are excluded for reasons that may include program-related convictions, patient abuse or neglect convictions, and licensing board disciplinary actions.

Enforcement Activity

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

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

Increased Enforcement Affecting Academic Research

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

The American Recovery and Reinvestment Act of 2009 (the "Stimulus Act")

The Stimulus Act includes several provisions that are intended to provide financial relief to the health care sector, including $86.6 billion in federal payments to states to fund the Medicaid program and $24.7 billion to provide a 65% subsidy to the recently unemployed for health insurance premium costs. The Stimulus Act also includes: $19 billion to establish a framework for the implementation of a nationally-based health information technology ("HIT") program, including incentive payments to hospitals commencing fiscal year 2011; $10 billion for health research and construction of NIH facilities; and $1 billion for prevention and wellness programs. As a component of the federal objective of implementing EHRs for all Americans by 2014, the Health Information Technology for Economic and Clinical Health Act ("HITECH Act") included in the Stimulus Act requires the development of regulations to establish HIT standards to which the Institution physicians and acute care hospitals will be subject. Compliant physicians and acute care hospitals that are also "meaningful users" of EHRs will be eligible for Medicare and Medicaid incentive payments generally beginning in fiscal year 2011. However, physicians must choose between receiving payments through the

Medicare or Medicare program, and hospital-based physicians are not eligible for the incentives. Hospitals and eligible physicians that do not comply will face Medicare penalties beginning in fiscal year 2015. The effect of the Stimulus Act and any future regulatory actions on NYUHC cannot be determined at this time.

In addition, the Stimulus Act provided substantial assistance to Medicaid programs through enhanced federal medical assistance percentages, which determine the federal and state share of the Medicaid program. The expiration of the enhanced Medicaid funding at the end of December 2010, unless current Congressional proposals to extend the enhancement through June 2011 are passed, could have a significant adverse affect on the Commonwealth's fiscal status.

Department of Health Regulations

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

Other Governmental Regulation

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

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

OIG Compliance Guidelines

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

Not-for-Profit Status

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

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

Revision of IRS Form 990 for Nonprofit Corporations

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

Internal Revenue Service Examination of Compensation Practices and Community Benefit

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

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

The national health reform legislation imposes four new requirements on non-profit hospitals in order to maintain their tax-exempt status. First, each hospital must conduct a community health needs assessment at least once every three taxable years and adopt an implementation strategy to meet the needs identified, or be subject to an excise tax penalty of $50,000. Hospitals must complete the first community health needs assessment by the end of the taxable year beginning after March 23, 2012, and disclose a summary of the assessment and implementation strategy and audited financial statements on the IRS Form 990. The Secretary of the Treasury must review the community benefit activities of each tax-exempt hospital at least once every three years. Second, each hospital must adopt, implement and publicize a policy a financial assistance policy. Third, hospitals must limit the charges for emergency or other medically necessary care provided to individuals eligible for assistance under the financial assistance policy to not more than the amounts generally billed to individuals who have insurance that covers such care. Finally, a hospital may not engage in extraordinary collection actions before making reasonable efforts to determine whether an individual is eligible for assistance under the organization's financial assistance policy.

Internal Revenue Code Limitations

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

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

Any suspension, limitation, or revocation of the tax-exempt status of NYUHC or assessment of significant tax liability could have a material adverse effect on NYUHC and might lead to loss of tax exemption of interest on the Series 2011A Bonds.

Revocation of the tax-exempt status of NYUHC under Section 501(c)(3) of the Code could subject the interest paid to Bondholders to federal income tax retroactively to the date of the issuance of the Series 2011A Bonds. Section 501(c)(3) of the Code specifically conditions the continued exemption of all Section 501(c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private inurement may cause the organization to lose its tax-exempt status under Section 501(c)(3) of the Code. The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and no regulations or public advisory rulings that address many common arrangements between exempt healthcare providers and nonexempt individuals or entities. There can be no assurance concerning the outcome of an audit or other investigation given the lack of clear authority interpreting the range of activities undertaken by NYUHC.

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person." Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit

and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it will involve "excess benefit." "Excess benefit transactions" include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that either exceeds fair market value or, to the extent provided in regulations yet to be promulgated, is determined in whole or in part by the revenues of one or more activities of such organization. "Disqualified persons" include "insiders" such as board members and officers, senior management, and members of the medical staff, who in each case are in a position to substantially influence the affairs of the organization; their family members; and entities which are more than 35% controlled by a disqualified person.

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

The Institution believes that the sanction of revocation of tax-exempt status is likely to be imposed only in cases of pervasive excess benefit. Either revocation of tax-exempt status or the imposition of penalty excise tax in lieu of revocation, based upon a finding that the Institution engaged in an excess benefit transaction would be likely to result in negative publicity and other consequences that could have a materially adverse effect on the operations, property or assets of the Institution.

Tax Audits

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

Antitrust

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

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

Health Insurance Portability and Accountability Act

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

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

On February 17, 2009, President Obama signed into law the HITECH Act, which is part of the Stimulus Act. The HITECH Act expands the scope and application of the administrative simplification provisions of HIPAA, and its implementing regulation, (i) extending the reach of the Privacy Rule and Security Rule to business associates, (ii) imposing a written notice obligation upon covered entities for security breaches involving "unsecured" protected health information, (iii) limiting certain uses and disclosures of protected health information, (iv) increasing individuals' rights with respect to protected health information, (v) increasing penalties for violations, and (vi) providing for enforcement of violations by State attorneys general. Many of the HITECH Act's provisions became effective on February 17, 2010, but other provisions require implementing regulations and may become effective at some point in 2011 or thereafter. While the effects of the HITECH Act cannot be predicted at this time, the obligations imposed thereunder could have a material adverse effect on the financial condition of the institution.

Security Breaches and Unauthorized Releases of Personal Information

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

Environmental Matters

Healthcare providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These requirements govern medical and toxic or hazardous waste management, air and water quality control, notices to employees and the public and training requirements for employees. As an owner and operator of properties and facilities, NYUHC may be subject to potentially material liability for costs of investigating and remedying the release of any such substances either on, or that have migrated off its property. Typical health care provider operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and/or discharge of hazardous,

infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care provider operations are particularly susceptible to the practical, financial and legal risks associated with the obligations imposed by applicable environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. There can be no assurance that NYUHC will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of NYUHC.

Affiliation, Merger, Acquisition and Divestiture

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

Professional Liability Claims and General Liability Insurance

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

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

Certain Accreditations

The Institution is subject to periodic review by the Joint Commission. The Institution has received accreditation from the Joint Commission. No assurance can be given as to the effect on future operations of existing, or subsequently amended, laws, regulations and standards for certification or accreditation.

Increased Costs and State-Regulated Reimbursement

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

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2011A Bonds. From time to time there may be no market for them depending upon prevailing market

conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of NYUHC's capabilities and the financial conditions and results of operations of NYUHC.

Enforceability of Lien on Gross Receipts

The Loan Agreement provides that NYUHC shall make payments to the Trustee sufficient to pay the Series 2011A Bonds and the interest thereon as the same become due. The obligation of NYUHC to make such payments is secured by the Series 2011A Obligation, which, in turn, is secured by, among other things, a security interest granted to the Master Trustee in the Gross Receipts of NYUHC. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS – Obligations under the Master Indenture – Security Interest in Gross Receipts." The lien on Gross Receipts may become subordinate to certain Permitted Liens under the Master Indenture. Gross Receipts paid by NYUHC to other parties in the ordinary course might no longer be subject to the lien of the Master Indenture and might therefore be unavailable to the Master Trustee.

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

In the event of bankruptcy of NYUHC, transfers of property by the bankrupt entity, including the payment of debt or the transfer of any collateral, including receivables and Gross Receipts on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court may be subject to avoidance or recoupment as preferential transfers. Under certain circumstances a court may have the power to direct the use of Gross Receipts to meet expenses of NYUHC before paying debt service on the Series 2011A Bonds.

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

The value of the security interest in the Gross Receipts could be diluted by the incurrence of additional Indebtedness secured equally and ratably with the Series 2011A Bonds as to the security interest in the Gross Receipts. See "PART 1 – INTRODUCTION – Security for the Bonds."

Enforceability of the Master Indenture

Under New York law, a not-for-profit corporation may guarantee the debt of another corporation only if such guaranty is in furtherance of the corporate purposes of such guarantor not-for-profit corporation. In addition, it is possible that the security interest granted by a Member and the joint and several obligation of a Member to make payments due under an Obligation, including the Series 2011A Obligation, relating to bonds issued for the benefit of another Member, may be declared void in an action brought by a third-party creditor pursuant to the New York fraudulent conveyance statutes or may be avoided by a Member or a trustee in bankruptcy in the event of the bankruptcy of the Member from which payment is requested. An obligation may be voided under the federal Bankruptcy Code or under the New York fraudulent conveyance statute, if (a) the obligation was incurred without receipt by the obligor of "fair consideration" or "reasonably equivalent

value," and (b) the obligation renders the obligor "insolvent," as such terms are defined under the applicable statute. Interpretation by the courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. For example, a Member's joint and several obligation under the Master Indenture to make all payments thereunder, including payments in respect of funds used for the benefit of the other Members, may be held to be a "transfer" which makes such Member "insolvent" in the sense that the total amount due under the Master Indenture could be considered as causing its liabilities to exceed its assets. Also, one of the Members may be deemed to have received less than "fair consideration" for such obligation because none or only a portion of the proceeds of the indebtedness are to be used to finance projects occupied or used by such Member. While the Members may benefit generally from the projects financed from the indebtedness for the other Members, the actual cash value of this benefit may be less than the joint and several obligation. The rights under the New York fraudulent conveyance statutes may be asserted for a period of up to six years from the incurring of the obligations or granting of security under the Master Indenture.

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

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

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

Exercise of Remedies under Master Indenture

"Events of Default" under the Master Indenture include the failure of the Obligated Group to make payments on any Obligation Outstanding under the Master Indenture (such as the Series 2011A Obligation) and may include nonpayment related defaults under documents such as the Loan Agreement, the Resolution or the Mortgage. The Master Indenture provides that upon an "Event of Default" thereunder, the Master Trustee may in its discretion, by notice in writing to Members of the Obligated Group, declare the principal of all (but not less than all) Obligations Outstanding thereunder to be due and payable immediately and may exercise other remedies thereunder. However, the Master Trustee is not required to declare amounts under the Master Indenture to be due and payable immediately unless requested to do so by the holders of not less than 25% in aggregate principal amount of all Obligations then Outstanding under the Master Indenture. Consequently, upon the occurrence of an "Event of Default" under the Resolution with respect to the Series 2011A Bonds and an acceleration of the maturity of the Series 2011A Bonds, the Master Trustee is not required to accelerate the maturity of all Obligations Outstanding under the Master Indenture upon direction from the Trustee unless (i) the principal amount of Series 2011A Bonds Outstanding is at least equal to 25% of the principal amount of all Obligations Outstanding under the Master Indenture, or (ii) the Trustee and all other holders of Obligations requesting such acceleration hold at least 25% of all Obligations Outstanding under the Master Indenture.

Bankruptcy

The Series 2011A Bonds are payable from the sources and are secured as described in this Official Statement. The practical realization of value from the collateral for the Series 2011A Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Loan Agreement, the Mortgage and the Master Indenture. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the Loan Agreement, the Mortgage and the Master Indenture may not be readily available or may be limited. A court may decide not to order the performance of the covenants contained in those documents. The legal opinion to be delivered concurrently with the delivery of the Series 2011A Bonds will be qualified as to the enforceability of the various agreements and other instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

The rights and remedies of the holders of the Series 2011A Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If NYUHC were to file a petition for relief under the Bankruptcy Code, the filing would automatically stay the commencement or continuation of any judicial or other proceedings against NYUHC and its property, including the commencement of foreclosure proceedings under the Mortgage. NYUHC would not be permitted or required to make payments of principal or interest under the Loan Agreement and the Obligations, unless an order of the United States Bankruptcy Court were issued for such purpose. In addition, without an order of the United States Bankruptcy Court the automatic stay may serve to prevent the Trustee from applying amounts on deposit in certain funds and accounts held under the Resolution from being applied in accordance with the provisions of the Resolution, including the transfer of amounts on deposit in the Debt Service Reserve Fund to the Debt Service Fund, and the application of such amounts to the payment of principal and Sinking Fund Installments of, and interest on, the Series 2011A Bonds. Moreover, any motion for an order canceling the automatic stay and permitting such funds and accounts to be applied in accordance with the provisions of the Resolution would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of the Obligated Group, which could affect the likelihood or timing of obtaining such relief. The automatic stay may also extinguish the Master Trustee's continuing security interest in NYUHC's Gross Receipts arising subsequent to the filing of the bankruptcy petition, adversely affect the ability of the Master Trustee to exercise remedies upon default, including the acceleration of all amounts payable by NYUHC under the Obligations, the Master Indenture, the Mortgage, and the Loan Agreement, and may adversely affect the Master Trustee's or the Trustee's ability to take all steps necessary to file a claim under the applicable documents on a timely basis.

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

Considerations Relating to Additional Debt

Subject to the coverage and other tests set forth therein, the Resolution, the Loan Agreement and the Master Indenture permit NYUHC and any other Members of the Obligated Group to incur additional indebtedness, including Additional Bonds. Such indebtedness would increase the Obligated Group's debt service and repayment requirements and may adversely affect debt service coverage on the Series 2011A Bonds.

Interest Rate Swap Agreements

The Institution is not currently party to any interest rate swap agreements. However, NYUHC may, in the future, enter into interest rate swap agreements with respect to its outstanding debt.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operations of health care providers, including NYUHC, or the market value of the Series 2011A Bonds, to an extent that cannot be determined at this time:

- Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates.
- Increased unemployment or other economic conditions in the service area of NYUHC, which could increase the proportion of patients who are unable to pay fully for the cost of their care.
- Efforts by insurers and governmental agencies to limit the cost of hospital and physician services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.
- Reduced demand for the services of NYUHC that might result from decreases in population or innovations in technology.
- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.
- The occurrence of a natural or man-made disaster, including but not limited to acts of terrorists, that could damage the facilities of NYUHC, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair the operations and the generation of revenues from NYUHC's facilities.
- Adoption of a so-called "flat tax" federal income tax, a reduction in the marginal rates of federal income taxation or replacement of the federal income tax with another form of taxation, any of which might adversely affect the market value of the Series 2011A Bonds and the level of charitable donations to NYUHC.

PART 9 - THE AUTHORITY

Background, Purposes and Powers

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

On September 1, 1995, the Authority through State legislation (the "Consolidation Act") succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the

"Agency") and the Facilities Development Corporation (the "Corporation"), each of which will continue its corporate existence in and through the Authority. Under the Consolidation Act, the Authority has also acquired by operation of law all assets and property, and has assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, and notes or other obligations. Under the Consolidation Act, as successor to the powers, duties and functions of the Agency, the Authority is authorized to issue and sell negotiable bonds and notes to finance and refinance mental health services facilities for use directly by the New York State Department of Mental Hygiene and by certain voluntary agencies. As such successor to the Agency, the Authority has acquired additional authorization to issue bonds and notes to provide certain types of financing for certain facilities for the Department of Health, not-for-profit corporations providing hospital, medical and residential health care facilities and services, county and municipal hospitals and nursing homes, not-for-profit and limited profit nursing home companies, qualified health maintenance organizations and health facilities for municipalities constituting social services districts. As successor to the Corporation, the Authority is authorized, among other things, to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

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

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

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

At December 31, 2010, the Authority had approximately $43.3 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at December 31, 2010 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	$ 2,478,656,000	$ 1,139,920,000	$ 0	$ 1,139,920,000
State University of New York Educational and Athletic Facilities	14,369,077,999	6,486,831,657	0	6,486,831,657
Upstate Community Colleges of the State University of New York	1,644,630,000	693,095,000	0	693,095,000
Senior Colleges of the City University of New York	10,799,906,762	3,602,086,213	0	3,602,086,213
Community Colleges of the City University of New York	2,548,418,350	542,633,787	0	542,633,787
BOCES and School Districts	2,785,881,208	2,094,945,000	0	2,094,945,000
Judicial Facilities	2,161,277,717	692,952,717	0	692,952,717
New York State Departments of Health and Education and Other	6,713,455,000	4,639,840,000	0	4,639,840,000
Mental Health Services Facilities	8,306,980,000	4,102,250,000	0	4,102,250,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	1,146,845,000	760,220,000	0	760,220,000
Totals Public Programs	$ 53,728,603,036	$ 24,754,774,374	$ 0	$ 24,754,774,374

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	$ 19,855,389,952	$ 10,389,780,083	$ 30,730,000	$ 10,420,510,083
Voluntary Non-Profit Hospitals	14,562,754,309	7,382,330,000	0	7,382,330,000
Facilities for the Aged	2,010,975,000	755,570,000	0	755,570,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$ 36,524,119,261	$ 18,527,680,083	$ 30,730,000	$ 18,558,410,083
Grand Totals Bonds and Notes	$ 90,252,722,297	$ 43,282,454,457	$ 30,730,000	$ 43,313,184,457

Outstanding Indebtedness of the Agency Assumed by the Authority

At December 31, 2010, the Agency had approximately $303.5 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at December 31, 2010 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding
Mental Health Services Improvement Facilities	$ 3,817,230,725	$ 0
Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**
Hospital and Nursing Home Project Bond Program	$ 226,230,000	$ 2,480,000
Insured Mortgage Programs	6,625,079,927	294,625,000
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	6,380,000
Total Non-Public Programs	$ 9,265,549,927	$ 303,485,000
Total MCFFA Outstanding Debt	$ 13,082,780,652	$ 303,485,000

Governance

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

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

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he 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 directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors 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, 2013.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2013.

JACQUES JIHA, Ph.D., Secretary, Woodbury.

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President / Chief Operating Officer and Chief Financial Officer of Black Enterprise, a multi-media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the State's chief investment officer, he managed assets valued at $120 billion and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expires on March 31, 2011.

CHARLES G. MOERDLER, Esq., New York.

Charles Moerdler was appointed as a Member of the Authority by the Governor on March 16, 2010. Mr. Moerdler is a founding partner in the Litigation Practice of the law firm Stroock & Stroock & Lavan LLP. His areas of practice include defamation, antitrust, securities, real estate, class actions, health care, international law, labor law, administrative law and zoning. By appointment of the Appellate Division, First Department, Mr. Moerdler serves as Vice Chair of the Committee on Character and Fitness and as a Member of the Departmental Disciplinary Committee. He served as Commissioner of Housing and Buildings of the City of New York, as a real estate and development consultant to New York City Mayor John Lindsay, as a member of the City's Air Pollution Control Board, and as Chairman and Commissioner of the New York State Insurance Fund. Mr. Moerdler currently serves on the Board of Directors of the New York City Housing Development Corporation as well as the Metropolitan Transportation Authority and is a member of the New York City Board of Collective Bargaining. He holds a Bachelors of Arts degree from Long Island University and a Juris Doctor degree from Fordham University. His current term expires on March 31, 2012.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's term expired on August 31, 2010 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of Budget, from 1991 to 1994, and Deputy

Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Romski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. 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, NY. Mr. Romski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department's Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Romski is a member of the Urban Land Institute, Council of Development Finance Agencies, the New York State Bar Association, American Bar Association and New York City Bar Association. He previously served as a member of the New York City Congestion Mitigation Commission and the Board of Directors for the Bronx Red Cross. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

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

Dr. Hedges was appointed as a Member of the Authority 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. Dr. Hedges previously served as the Director of Fiscal Studies of the 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 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.

DAVID M. STEINER, Ph.D., Commissioner of Education of the State of New York, Albany; ex-officio.

David M. Steiner was appointed by the Board of Regents as President of the University of the State of New York and Commissioner of Education on October 1, 2009. Prior to his appointment, Dr. Steiner served as the Klara and Larry Silverstein Dean of the School of Education at Hunter College CUNY. Prior to his time with Hunter College, Dr. Steiner served as Director of Arts Education at the National Endowment for the Arts and Chairman of the Department of Education Policy at Boston University. As Commissioner of Education, Dr. Steiner serves as chief executive officer of the Board of Regents, which has jurisdiction over the State's entire educational system, which includes public and non-public elementary, middle and secondary education; public and independent colleges and universities; museums, libraries and historical societies and archives; the vocational rehabilitation system; and responsibility for licensing, practice and oversight of numerous professions. He holds a Doctor of Philosophy in political science from Harvard University and a Bachelor of Arts and Master of Arts degree in philosophy, politics and economics from Balliol College at Oxford University.

JAMES W. CLYNE, JR., Executive Deputy Commissioner of Health of the State of New York, Albany; ex-officio

James W. Clyne, a graduate of Colgate University, was appointed to the position of Executive Deputy Commissioner of Health in August 2009. He is responsible for the overall operations of the agency and involved in all aspects of the department's operation and administration including Medicaid and other public health insurance programs, public health operations and investigations and regulation of health care providers. Mr. Clyne previously served as the Deputy Commissioner for the Office of Health Systems Management, served over 20 years in health leadership positions in the New York State Assembly and as a government affairs representative at Hinman Straub law firm. Richard F. Daines retired as Commissioner of Health of the State of New York effective January 1, 2011. As Dr. Daines' successor has not been confirmed by the Senate, Mr. Clyne, pursuant to the Public Officers Law of the State of New York, possesses the powers and performs the duties of the Commissioner.

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

Mr. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than $90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of the Authority. Mr. Williams is responsible for the overall management of the Authority's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior thereto, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

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

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of

existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company, where his responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

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

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority 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 Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. 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.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives (OEI). In that capacity, she oversees the Authority's Communications and Marketing, Opportunity Programs, Environmental Initiatives, Client Outreach, Training, Executive Projects, and Legislative Affairs units. Ms. Wallace is responsible for strategic efforts in developing programs, maximizing the utilization of Minority and Women Owned Businesses, and communicating with Authority clients, the public and governmental officials. She possesses more than twenty years of senior leadership experience in diverse private sector businesses and civic organizations. Ms. Wallace most recently served as Executive Vice President at Telwares, a major telecommunications service firm. Prior to her service at Telwares, Ms. Wallace served as Executive Vice President of External Affairs at the NYC Leadership Academy. She holds a Bachelor of Science degree in management from the Pepperdine University Graziadio School of Business and Management.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that these claims and litigation are covered by the Authority's insurance or by bonds filed with the Authority should the Authority be held liable in any of such matters, or that the Authority has

sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such litigation.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2011A Bonds.

Legislation

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

Environmental Quality Review

The Authority complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder respecting the Series 2011A Project to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2010. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 10 - LEGALITY OF THE SERIES 2011A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2011A Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2011A Bonds.

PART 11 - NEGOTIABLE INSTRUMENTS

The Series 2011A 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 2011A 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 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the Series 2011A Bonds is less than the amount to be paid at maturity of such Series 2011A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2011A 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 2011A 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 2011A Bonds is the first price at which a substantial amount of such maturity of the Series 2011A 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 2011A Bonds accrues daily over the term to maturity of such Series 2011A 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 2011A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2011A Bonds. Beneficial Owners of the Series 2011A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2011A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2011A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2011A Bonds is sold to the public.

Series 2011A 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 2011A Bonds. The Authority and the Institution made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011A 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 2011A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011A 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 2011A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A 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 the Institution's Office of General Counsel, regarding the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code and the intended operation of the facilities to be financed by the Series 2011A Bonds as substantially related to the Institution's charitable purpose under Section 513(a) of the Code. Such opinion is subject to a number of qualifications and limitations. Furthermore, Counsel to the Institution cannot give and has not given any opinion or assurance about the future activities of the Institution, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service. Failure of the Institution to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series 2011A Bonds in a manner that is substantially related to the Institution's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2011A Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2011A Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Series 2011A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2011A Bonds. Prospective purchasers of the Series 2011A Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2011A Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Institution, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Institution have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2011A Bonds ends with the issuance of the Series 2011A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Institution or the Beneficial Owners regarding the tax-exempt status of the Series 2011A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Institution and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Institution legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A 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 2011A Bonds, and may cause the Authority, the Institution or the Beneficial Owners to incur significant expense.

PART 13 - STATE NOT LIABLE ON THE SERIES 2011A BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2011A Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 14 - COVENANT BY THE STATE

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

PART 15 - RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies ("S&P") have assigned their ratings of "BBB+", "Baa1" and "BBB+", respectively, to the Series 2011A Bonds. Such ratings reflect only the respective views of Fitch, Moody's and S&P and do not constitute a recommendation to buy, sell or hold the Series 2011A Bonds. Generally, rating agencies base their ratings on information and material furnished by the Authority and the Institution and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the views of such organizations and an explanation of the significance of such rating may be obtained from the respective rating agencies at: Fitch Ratings, One State Street Plaza, New York, New York 10004, telephone: (212) 908-0500; Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, telephone: (212) 553-0300; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone: (212) 438-2124. There is no assurance that any rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such revision or withdrawal of such rating may have an effect on the market price of the Series 2011A Bonds.

PART 16 - LEGAL MATTERS

Certain legal matters incidental to the offering of the Series 2011A Bonds by the Authority are subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2011A Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix F hereto.

Certain legal matters will be passed upon for NYUHC by NYUHC's Office of General Counsel, and by NYUHC's Special Counsel, Ropes & Gray LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Edwards Angell Palmer & Dodge LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance, offering or delivery of the Series 2011A Bonds or questioning or affecting the validity of the Series 2011A Bonds or the proceedings and authority under which the Series 2011A Bonds are to be issued and offered.

PART 17 - UNDERWRITING

Morgan Stanley & Co. Incorporated, on behalf of the Underwriters for the Series 2011A Bonds, has agreed, subject to certain conditions, to purchase the Series 2011A Bonds from the Authority at a purchase price of $128,969,249.88 (reflecting an underwriters' discount of $1,169,797.02 and a net original issue discount of $790,953.10), and to make a public offering of the Series 2011A Bonds at prices that are not in excess of the public offering prices or yields indicated on the cover of this Official Statement. The Underwriters will be obligated to purchase all of such Series 2011A Bonds if any are purchased.

Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., each an underwriter of the Series 2011A Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of Series 2011A Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2011A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 2011A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2011A Bonds that such firm sells.

The Series 2011A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

PART 18 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("Rule 15c2-12"), the Institution has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 150 days after the end of each fiscal year, commencing with the fiscal year of the Institution ending August 31, 2011, for filing by DAC with the Municipal Securities Rulemaking Board ("MSRB") and its Electronic Municipal Market Access system for municipal securities disclosures, on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 7 – NYU HOSPITALS CENTER" of this Official Statement (the "Annual Information"), together with the Institution's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB. For a discussion of the submission of quarterly unaudited financial information to the MSRB, see "Part 19 – MISCELLANEOUS."

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Institution, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Institution and the Authority, to file such information and financial statements, as promptly as practicable, but no later than three business days after receipt of the information by DAC from the Institution, with the MSRB.

The Institution also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, within 10 days of the occurrence of a Notice Event (as hereinafter defined), the notices required to be provided by Rule 15c2-12 and described below (the "Notices"). In addition, the Authority and the Trustee have undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should the Authority have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Institution, the Trustee or the Authority, DAC will promptly file the Notices with the MSRB. With respect to the Series 2011A Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institution, the Authority or the Trustee has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, annual financial statements, Notices or any other information, disclosures or notices provided to it by the Institution, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institution, the Holders of the Series 2011A Bonds or any other party. DAC has no responsibility for the failure of the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Institution, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institution, the Trustee and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

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

The Notices include notices of any of the following events (the "Notice Events") with respect to the Series 2011A Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, IRS notices or events affecting the tax status of the Series 2011A Bonds; (7) modifications to the rights of holders of the Series 2011A Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2011A Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of the Institution; (14) merger, consolidation or acquisition of the Institution, if material; and (15) appointment of a successor or additional trustee, or the change in name of a trustee, if material. In addition, DAC will undertake, for the benefit of the Holders of the Series 2011A Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the undertaking of DAC, the Institution, the Trustee and/or the Authority, and no person, including any Holder of the Series 2011A Bonds, may recover monetary

damages thereunder under any circumstances. DAC or the Institution may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2011A Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2011A Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of Outstanding Series 2011A Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2011A Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2011A Resolution, the Master Trust Indenture or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2011A Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2011A Bonds will be on file at the principal office of the Authority.

In the past five years, the Institution has not failed to comply, in any material respects, with any previous continuing disclosure undertaking entered into in connection with any tax-exempt offerings.

PART 19 - MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2011A Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2011A Obligation do not purport to be complete. Refer to the Act, the Resolution, the Series 2011A Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2011A Obligation for full and complete details of their provisions. Copies of the Resolution, the Series 2011A Resolution, the Loan Agreement, the Mortgage, the Master Indenture and the Series 2011A Obligation are on file with the Authority and the Trustee.

The Institution pursuant to the Master Indenture has agreed to furnish, or cause to be furnished, no later than sixty (60) days subsequent to the last day of each of the first three quarters and no later than ninety (90) days subsequent to the last day of the fourth quarter in each fiscal year to DAC (with copies to the Master Trustee and the Authority) an electronic copy of the following information: (a) the unaudited financial statements of the Institution, including the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flows (excluding footnotes); (b) utilization statistics of the Institution for such quarter, including aggregate discharges per facility, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable); and (c) discharges of the Institution by major payor mix for such quarter. Upon receipt of such information in electronic form, DAC shall provide such information to the MSRB through EMMA in a timely manner. In addition, the Institution has agreed to furnish, or cause to be furnished, to DAC (with copies to the Master Trustee and the Authority) an electronic copy of the audited financial statements of the Institution, within one hundred fifty (150) days after the completion of the Institution's fiscal year. Upon receipt of such information in electronic form, DAC shall provide such information to the MSRB through EMMA in a timely manner. To the extent that other entities become Members of the Obligated Group, comparable information will be provided with respect to the entire Obligated Group. Failure by the Institution to furnish, or cause to be furnished, to DAC such information required in this paragraph will not constitute an Event of Default under either the Master Trust Indenture or the Loan Agreement.

The agreements of the Authority with the holders of the Series 2011A Bonds are fully set forth in the Resolution and the Series 2011A Resolution. Neither any advertisement of the Series 2011A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2011A Bonds.

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

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

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

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

The combined financial statements as of August 31, 2010 and 2009 and for each of the two years in the period ended August 31, 2010 included in Appendix B have been audited by PricewaterhouseCoopers, LLP, independent accountants, as stated in their report appearing therein.

The Institution has reviewed certain parts of this Official Statement describing the Institution, the Obligated Group and the Master Indenture, including but not limited to "PART 1 – INTRODUCTION", "PART 4 – THE SERIES 2011A PROJECT", "PART 5 – PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS", "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS", "PART 7 – NYU HOSPITALS CENTER", "PART 8 – RISK FACTORS AND REGULATORY CONSIDERATIONS THAT MAY AFFECT THE OBLIGATED GROUP", "PART 18 – CONTINUING DISCLOSURE" (only insofar as the Continuing Disclosure relates to the obligations of the Institution) and "Appendix B – Combined Financial Statements of the NYU Langone Medical Center as of August 31, 2010 and 2009." The Institution shall certify as of the date hereof and as of the date of delivery of the Series 2011A Bonds that such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

By: /s/ Paul T. Williams, Jr.
Authorized Officer

Appendix A

Certain Definitions

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CERTAIN DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Service Reserve Fund Requirement, as used in the Loan Agreement and the Series Resolution, means an amount equal to the maximum annual principal and interest requirement on the Series 2011A Bonds, all as set forth in the Series 2011A Bond Series Certificate executed in connection with the original issuance of the Series 2011A Bonds;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sinking Fund Installment means, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, so long as any such Bonds thereof are Outstanding, the amount of money required by the Applicable Series Resolution pursuant to which such Bonds were issued or by the Applicable Bond

Series Certificate, to be paid on a single future sinking fund payment date for the retirement of any Outstanding Bonds of said Series which mature after said future sinking fund payment date, but does not include any amount payable by the Authority by reason only of the maturity of such Bond, and said future sinking fund payment date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment;

State means the State of New York;

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

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

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

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

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

Appendix B

NYU Langone Medical Center Combined Financial Statements as of August 31, 2010 and 2009

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NYU Langone Medical Center

Combined Financial Statements
August 31, 2010 and 2009

NYU Langone Medical Center
Index
August 31, 2010 and 2009

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

Board of Trustees
NYU Langone Medical Center (a component of New York University):

In our opinion, based on our audits and the report of other auditors, the accompanying combined balance sheets and the related combined statements of operations, changes in net assets and cash flows present fairly, in all material respects, the financial position of NYU Langone Medical Center and its combined organizations (which are a component of New York University) (the "Medical Center") at August 31, 2010 and 2009, and the results of their operations, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of CCC550, a wholly-owned subsidiary of the Medical Center, which statements reflect total assets of $283.5 million and $231.0 million as of August 31, 2010 and 2009, respectively, and total revenues of $72.2 million and $51.3 million for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for CCC550 is based solely on the report of other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit Includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining supplemental information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual organizations. Accordingly, we do not express an opinion on the financial position or results of operations of the individual organizations. However, the combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 15, 2010

NYU Langone Medical Center
Combined Balance Sheets
August 31, 2010 and 2009

(in Thousands)

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 358,480	$ 300,594
Marketable securities	56,111	129,706
Assets limited as to use	28,931	10,174
Assets limited as to use - Board designated	120,275	-
Patient accounts receivable, less allowances for uncollectibles (2010 - $61,754, 2009 - $58,242)	224,752	210,298
Contributions receivable - current	90,937	104,320
Other accounts receivables	32,394	29,723
Insurance receivables - billed	19,893	33,091
Inventories	21,975	19,297
Other current assets	49,484	52,305
Total current assets	1,003,232	889,508
Marketable securities	750,832	685,126
Assets limited as to use	279,580	238,947
Contributions receivable - long term	84,901	106,066
Other assets	40,020	63,554
Deferred financing costs	14,076	13,053
Property, plant and equipment - net	1,091,663	946,384
Total assets	$ 3,264,304	$ 2,942,638
Liabilities and net assets		
Current liabilities		
Current portion of long-term debt	$ 26,323	$ 24,227
Accounts payable and accrued expenses	219,359	193,094
Accrued salaries and related liabilities	87,847	72,737
Accrued interest payable	6,078	2,625
Current portion of accrued postretirement liabilities	1,879	1,896
Deferred revenue	54,091	43,184
Due to related organizations, net	28,551	53,321
Other current liabilities	40,730	39,127
Total current liabilities	464,858	430,211
Long-term debt, less current portion	744,249	704,040
Outstanding losses and loss adjustment expenses	195,911	162,289
Accrued pension liabilities	141,818	98,713
Accrued postretirement liabilities, less current portion	149,449	104,832
Due to related organizations, net	107,372	11,000
Other liabilities	170,553	154,441
Total liabilities	1,974,210	1,665,526
Net assets		
Unrestricted	736,621	739,624
Temporarily restricted	286,476	298,613
Permanently restricted	266,997	238,875
Total net assets	1,290,094	1,277,112
Total liabilities and net assets	$ 3,264,304	$ 2,942,638

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

NYU Langone Medical Center
Combined Statements of Operations
Years Ended August 31, 2010 and 2009

(in Thousands)

	2010	2009
Operating revenue		
Net patient service revenue	$ 1,848,845	1,604,900
Hospital Affiliations	222,632	209,124
Grants and sponsored programs	238,189	203,122
Tuition	32,792	32,401
Premiums earned	31,069	25,756
Contributions	42,409	46,245
Endowment distribution and return on short-term investments	34,439	7,565
Other revenue	110,424	101,647
Net assets released from restrictions for operating purposes	59,574	33,163
Total operating revenue	2,620,373	2,263,923
Operating expenses		
Salaries and wages	1,148,173	1,071,087
Employee benefits	292,606	276,677
Supplies and other	872,622	736,154
Depreciation and amortization	98,326	86,067
Interest	40,779	39,038
Patient care bad debt expense	19,542	31,510
Total operating expenses	2,472,048	2,240,533
Gain from operations	148,325	23,390
Other items		
Loss on refinancing of debt	-	(4,245)
Loss on disposals of property, plant and equipment	(2,361)	(4,911)
Investment return less endowment distribution, net	35,746	(112,681)
Excess (deficiency) of revenue over expenses	181,710	(98,447)
Other changes in unrestricted net assets		
Changes in pension and postretirement obligations	(115,647)	(78,129)
Contributions for capital asset acquisitions	4,404	700
Net assets released from restrictions for capital purposes	17,184	9,757
Transfer of equity to University	(90,654)	-
Net decrease in unrestricted net assets	$ (3,003)	$ (166,119)

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

NYU Langone Medical Center
Combined Statements of Changes in Net Assets
Years Ended August 31, 2010 and 2009

(in Thousands)

	Year Ended August 31, 2010				Year Ended August 31, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at beginning of year	$ 739,624	$ 298,613	$ 238,875	$ 1,277,112	$ 905,743	$ 297,553	$ 233,377	$ 1,436,673
Excess (deficiency) of revenue over expenses	181,710	-	-	181,710	(98,447)	-	-	(98,447)
Net assets released from restrictions for operations	-	(59,574)	-	(59,574)	-	(33,163)	-	(33,163)
Net assets released from restrictions for capital purposes	17,184	(17,184)	-	-	9,757	(9,757)	-	-
Contributions for capital assets acquisitions	4,404	-	-	4,404	700	-	-	700
Change in pension and postretirement plans	(115,647)	-	-	(115,647)	(78,129)	-	-	(78,129)
Transfer of equity to University	(90,654)	-	-	(90,654)	-	-	-	-
Gifts, bequests and other items	-	64,621	28,122	92,743	-	43,980	5,498	49,478
Total changes in net assets	(3,003)	(12,137)	28,122	12,982	(166,119)	1,060	5,498	(159,561)
Net assets at end of year	$ 736,621	$ 286,476	$ 266,997	$ 1,290,094	$ 739,624	$ 298,613	$ 238,875	$ 1,277,112

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

NYU Langone Medical Center
Combined Statements of Cash Flows
Years Ended August 31, 2010 and 2009

in Thousands)

	2010	2009
Cash flows from operating activities		
Changes in net assets	$ 12,982	$ (159,561)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	98,326	86,067
Loss on disposals of property, plant and equipment	2,361	4,911
Patient care bad debt expense	19,542	31,510
Loss on refinancing of debt	-	4,245
Post-retirement benefit adjustment	37,351	7,897
Pension benefit adjustment	78,296	70,232
Asset Retirement obligation adjustment	13,763	612
Contributions restricted for permanent investment and capital	(39,252)	(26,996)
Contributed assets	(39,424)	(21,312)
Net unrealized and realized (gains) and losses on investments	(64,538)	112,471
Transfer of equity to University	90,654	-
Changes in operating assets and liabilities		
Patient accounts receivable	(33,996)	(64,629)
Nonendowment and noncapital contributions receivable	73,972	75,085
Insurance receivables - billed	13,198	(10,164)
Accounts payable and accrued expenses	26,265	21,197
Accrued salaries and related liabilities	15,110	(4,546)
Royalty pass-through liability	-	(58,229)
Accrued interest payable	3,453	(6,586)
Due to related organizations	(37,400)	28,697
Operating losses and loss adjustment expenses	33,622	20,482
Accrued pension obligation	(35,191)	(24,046)
Accrued postretirement obligation	7,249	5,599
Other operating liabilities	13,888	57,067
Other operating assets	18,040	(16,585)
Net cash provided by operating activities	308,271	133,418
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(222,469)	(176,544)
Purchase of investments	(1,824,545)	(1,465,653)
Sale of investments	1,896,972	1,537,827
Additions to assets limited as to use board designated	(120,275)	-
Changes in assets limited as to use, net	(59,390)	5,375
Net cash used in investing activities	(329,707)	(98,995)
Cash flows from financing activities		
Contributions restricted for permanent investment and capital	39,252	26,996
Proceeds from issuance of long-term debt	235,261	-
Proceeds from borrowing on lines of credit	19,000	149,582
Payments of deferred financing costs	(2,235)	-
Principal payments on long-term debt	(211,956)	(169,444)
Net cash provided by financing activities	79,322	7,134
Net increase in cash and cash equivalents	57,886	41,557
Cash and cash equivalents		
Beginning of year	300,594	259,037
End of year	$ 358,480	$ 300,594
Supplemental information		
Cash paid for interest	$ 37,326	$ 38,152

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

1. Organization and Summary of Significant Accounting Policies

Organization

NYU Langone Medical Center (the "Medical Center"), a component of New York University ("the University"), includes the accounts of NYU Langone Hospitals Center ("Hospitals Center"), the NYU School of Medicine ("NYUSoM"), CCC550 Insurance, Inc. ("CCC550"), The J & M Vilcek Foundation (the "Foundation"), NYU Imaging, Inc. ("Imaging"), NYU Columbus Medical PC ("Columbus"), New York University Medical Center Foundation, Inc. ("NYUMCF") and the 34th Street Cancer Center, Inc. ("34th Street").

The Hospitals Center is a Section 501(c) (3) organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and from New York State and City income taxes. It operates the following: Tisch Hospital, a 705-bed acute care facility and a major center for specialized procedures in cardiovascular services, neurosurgery, cancer treatment, reconstructive surgery and transplantation; the Rusk Institute of Rehabilitation Medicine, a 174-bed unit, which has earned worldwide recognition for its leadership in the treatment of the physically challenged, and NYU Hospital for Joint Diseases ("HJD"), a 190-bed acute care facility specializing in orthopedic services.

NYUSoM, an administrative unit of the University represents one of the nation's premier centers of excellence in medical research, medical education and physician patient care, and encompasses a medical school, a research institute, a faculty practice group, and related auxiliary activities.

The J & M Vilcek Foundation (the "Foundation") is a charitable trust whose principal activity is the solicitation, receipt, holding, investment and administration of contributions on behalf of the NYUSoM. NYUSoM is the majority voting member. The Foundation is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

NYU Columbus Medical PC ("Columbus") is a professional service organization controlled by NYUSoM. The purpose of Columbus is to engage in the practice of physician patient care. Columbus is located in New York and is subject to both Federal and State income taxes under the Internal Revenue Code. Effective December 31, 2009, Columbus concluded its business-related activities and is in the process of being dissolved under New York State law. As of that date all of Columbus's activities were integrated into the NYUSoM's Faculty Group Practice operations.

NYUSoM also has a wholly owned subsidiary, NYU Imaging Inc. ("Imaging"). The purpose of Imaging is to support the educational objectives of the NYUSoM and to engage in the practice of the profession of medicine. Imaging is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

NYUMCF is a New York not-for-profit membership corporation formed to carry out fund-raising activities for the NYUSoM and the Hospitals Center. The University is its sole member and appoints the Foundation's Board of Trustees.

34th Street is a New York not-for-profit corporation whose purpose is to promote and support the diagnosis and treatment of cancer. In April, 2008 the Hospitals Center became the sole member, with the University retaining approval rights over certain matters.

CCC550 was incorporated as a segregated cell company and is subject to taxation in accordance with Section 29 of the Exempt Insurance Act of Barbados, 1983.

On October 4, 2006, upon the issuance of the Series 2006A and Series 2006B bonds, the Hospitals Center withdrew from Mount Sinai NYU Health (the "HSO") (see Note 6). The Hospitals Center remained a subsidiary of the HSO until October 23, 2007, when the University became the sole corporate member of the Hospitals Center. The University has not assumed any responsibility or liability for the financial obligations of the Hospitals Center. By resolution of the University's Board, the University reappointed members of the Hospitals Center's Board and named the same individuals as members of a newly created New York University School of Medicine Advisory Board.

Basis of Presentation and Principles of Combination
The combining information and supplemental data relating to the Medical Center included on pages 35 and 36 have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. The accompanying combining financial statements include the accounts of the Hospitals Center, NYUSoM, CCC550, the Foundation, Imaging and Columbus. Accordingly, transactions between these entities have been eliminated in combination.

Related Organizations
Transactions among the related organizations in the accompanying combined financial statements relate principally to the sharing of certain services, facilities, equipment and personnel and are accounted for on the basis of allocated cost, as agreed among the parties. Except for specific amounts discussed in Note 11, amounts due from or to related organizations do not bear interest. Additionally, the Medical Center and the University have established guidelines for reimbursement, on a fee-for-service basis, for services provided.

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

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

The Medical Center's investment portfolio is classified as trading, with unrealized gains and losses included in the excess (deficiency) of revenue over expenses.

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

Purchase and sales of securities are recorded on a trade-date basis.

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

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

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

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

Land improvements	20 years
Building and building improvements	40 years
Fixed and moveable equipment	3-15 years

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

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

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

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

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

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

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

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

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

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

Charity Care: The Medical Center's charity care policy, in accordance with the New York State Department of Health's guidelines, ensures the provision of quality health care to the community served while carefully considering the ability of the patient to pay. The policy has sliding fee schedules for inpatient, ambulatory and emergency services provided to the uninsured and under-insured patients that qualify. Patients are eligible for the charity care fee schedule if they meet certain income and liquid asset tests. For accounting and disclosure purposes, charity care is considered to be the difference between the Hospitals Center's customary charges and the sliding charity care fee schedule rates. Since payment of this difference is not sought, charity care allowances are not reported as revenue. Total charity care for all patient services approximated $21.6 million and $9.4 million based on charges forgone for the years ended August 31, 2010 and 2009 respectively.

Bad Debt Expense: Patients who do not qualify for sliding scale fees and all uninsured inpatients who do not qualify for Medicaid assistance are billed at the Hospitals Center's full rates. Uncollected balances for these patients are categorized as bad debts. Similarly, at NYUSoM, those balances which are deemed uncollectible based on an inability or unwillingness to pay are written off. Uncollected balances for these patients are categorized as bad debts and totaled $19.5 million and $31.5 million for the years ended August 31, 2010 and 2009, respectively.

Performance Indicator
The combined statements of operations include excess (deficiency) of revenue over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets), changes in pension and postretirement obligations, and transfers of equity.

The Medical Center differentiates its operating activities through the use of gain from operations as an intermediate measure of operations. For the purposes of display, items which management does not consider being components of the Medical Center's operating activities are excluded from the gain from operations and reported as other items in the combined statements of operations. These include loss on refinancing of debt, gains/losses on disposals of property, plant and equipment, and investment return (realized and unrealized net gains or losses on investments, interest and dividends) in excess of (or less than) the Medical Center's approved endowment distribution.

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

Income Taxes
The Medical Center has adopted a provision for accounting for uncertainties in income taxes recognized, which prescribes a recognition threshold and measurement approach for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There was no significant effect on the Medical Center's combined financial statements as a result of the adoption of this provision.

Fair Value Measurements

The Medical Center has adopted the framework for measuring fair value of its financial assets and liabilities. This framework requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending upon the observability of the inputs employed in the measurement. Level 1 assets consist of common stock, mutual funds, treasury notes and bills and cash and cash equivalents. Level 2 investments consist of corporate bonds issued by various corporations, government and agency backed bonds, institutional mutual funds and certificates of deposit. These investments were valued by the investment portfolio managers utilizing their portfolio system, which relies on one of the largest pricing services and is used by many mutual funds. The Medical Center reviews the results of these valuations in assessing its fair values of investments. Level 3 investments consist of the Medical Center's share of investments in the investment pools of the University and Combined Coordinating Council Investment Trust ("CCCIT"). The adoption of this standard did not have a material impact on the financial results. Refer to the table below for additional disclosure.

The table below reports Fair Value Measurements at August 31, 2010:

(in thousands)	Fair Value at August 31, 2010	Based on Quoted Prices in Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Based on Unobservable Inputs (Level 3)
Assets and Liabilities Measured at Fair Value on a Recurring Basis				
Marketable securities	$ 806,943	$ 52,219	$ -	$ 754,724
Assets limited as to use	308,511	98,384	4,129	205,998
Total	$ 1,115,454	$ 150,603	$ 4,129	$ 960,722

The table below reports Fair Value Measurements at August 31, 2009:

(in thousands)	Fair Value at August 31, 2009	Based on Quoted Prices in Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Based on Unobservable Inputs (Level 3)
Assets and Liabilities Measured at Fair Value on a Recurring Basis				
Marketable securities	$ 814,832	$ 125,566	$ -	$ 689,266
Assets limited as to use	249,121	81,782	24,178	143,161
Total	$ 1,063,953	$ 207,348	$ 24,178	$ 832,427

The following table provides a rollforward of the fair value of Level 3 assets for the years ended August 31, 2010 and 2009:

(in thousands)	2010 NYULMC	2009 NYULMC
Fair value, beginning of year:	$ 832,427	$ 922,151
Additions during the year	124,325	257,316
Disposals during the year	(52,554)	(234,229)
Adjustments to record appreciation/(reduction) in estimated fair value	56,524	(112,811)
Fair value, end of year	$ 960,722	$ 832,427

Adopted Accounting Pronouncements
The Medical Center has adopted the FASB Accounting Standards Codification (ASC or Codification) and the Hierarchy of Generally Accepted Accounting Principals (GAAP), which establishes the Codification as the sole source for authoritative U.S. GAAP and will supersede all accounting standards in U.S. GAAP. The adoption of the Codification did not have an impact on the Medical Center's results of operations, cash flows or financial position. Since the adoption of the Accounting Standard Codification (ASC) the Medical Center's notes to the financial statements will no longer make reference to Statement of Financial Accounting Standards (SFAS) or other U.S. GAAP pronouncements.

During 2009, the Medical Center adopted the new accounting standard on subsequent events. This pronouncement established standards for the accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued.

Although New York State had not enacted UPMIFA as of August 31, 2010, the Medical Center adopted the disclosure requirements as of August 31, 2009 (also see Note 16).

The Medical Center adopted the new accounting standard on disclosures about derivative instruments and hedging activities. This standard requires the disclosure of the Medical Center's objectives and strategies for using derivatives as well as quantitative disclosures about fair value amounts of gain and losses on derivative instruments. The adoption of this standard did not have a significant impact on the results of operations, cash flows or financial position.

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

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

Billings related to services rendered are recorded as net patient service revenue in the period in which the service is performed, net of contractual and other allowances that represent differences between gross charges and the estimated receipts under such programs. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient accounts receivable are also reduced for allowances for uncollectible accounts. The net adjustment included within the combined statements of operations relating to changes in prior year estimates increased net patient service revenue by $5.7 million and decreased net patient service revenue by $7.9 million for the years ended August 31, 2010 and 2009, respectively.

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

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

- *Medicare:* Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Effective October 1, 2007 the Centers for Medicare and Medicad services ("CMS") revised the Medicare patient classification systems. The new Medicare severity adjusted diagnosis related groups ("MS - DRGs") reflect changes in technology and current methods of care delivery. CMS has expanded the number of DRG's from 538 to 745 and requires identification of conditions that are present upon admission. Inpatient rehabilitation cases are grouped into case-mix groups (CMGs). Outpatients are assigned to ambulatory payment classification groups (APCs). The Centers for Medicare and Medicaid Services (CMS) issue annual updates to payment rates and patient classification groups.

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

DOH promulgated rates. Effective December 1, 2009, NYS implemented inpatient reimbursement reform. The reform updated the data utilized to calculate the NYS DRG rates and service intensity weights (SIWS) in order to utilize refined data and more current information in DOH promulgated rates. Similar type outpatient reforms were implemented effective December 1, 2008. Effective December 1, 2009, NYS implemented inpatient reimbursement reform. The reform updated the data utilized to calculate the NYS DRG rates and service intensity weights (SIWS) in order to utilize refined data and more current information in DOH promulgated rates. Similar type outpatient reforms were implemented effective December 1, 2008.

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

The Medical Center has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payers for adjustments to current and prior year's payment rates, based on industry-wide and hospital-specific data. Net amounts due to third party payors at August 31, 2010 and 2009 were $56.0 million and $24.2 million, respectively. Additionally, certain payers' payment rates for various years have been appealed by the Medical Center. If the appeals are successful, additional income applicable to those years will be realized.

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

The Hospitals Center's Medicare cost reports have been audited and finalized by the Medicare fiscal intermediary through December 31, 2002.

On February 19, 2004, the Secretary of Health and Human Services confirmed that hospitals can provide discounts for uninsured patients, which allowed the Medical Center to implement a discount policy in accordance with state law. The Medical Center's goal was to create a financial aid program that is consistent with the mission, values, and capacity of the Medical Center, while considering an individual's ability to contribute to his or her care.

The Medical Center has implemented a discount policy and provides discounts to additional uninsured patients. Under this policy, the discount offered to uninsured patients is reflected as a reduction to net patient service revenue at the time the uninsured billings are recorded.

Federal and state law requires that hospitals provide emergency services regardless of a patient's ability to pay. Uninsured patients seen in the emergency department, including patients subsequently admitted for inpatient services, often do not provide information necessary to allow the Medical Center to qualify such patients for charity care. Uncollectible amounts due from such uninsured patients represent the substantial portion of the provision for bad debts reflected in the accompanying combined statement of operations.

	2010			2009
(in thousands)	NYUHC	NYUSoM	NYULMC	NYULMC
Charity care, foregone charges	$ 21,639	$ -	$ 21,639	$ 9,450
Uncompensated care reported as provision for bad debts, net	14,282	5,260	19,542	31,510
Total uncompensated care provided	$ 35,921	$ 5,260	$ 41,181	$ 40,960

The Hospitals Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer arrangements. The mix of receivables (net of contractual allowances and advances from certain third-parties) from patients and third-party payers at August 31, 2010 and 2009 are as follows:

	2010	2009
	NYUHC	NYUHC
Medicare	17 %	13 %
Medicaid	5 %	6 %
Blue cross	15 %	16 %
Managed care and other	63 %	65 %
	100 %	100 %

3. Marketable Securities and Assets Limited as to Use

The following table summarizes the composition of marketable securities, including those held by the University, at August 31 2010 and 2009 (in thousands):

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Cash and cash equivalents	$ -	$ -	$ -	$ 20
U.S. Government agency obligations	-	52,219	52,219	125,546
University investment pool	23,329	731,395	754,724	689,266
	23,329	783,614	806,943	814,832
Less current portion	(3,892)	(52,219)	(56,111)	(129,706)
Long-term portion	$ 19,437	$ 731,395	$ 750,832	$ 685,126

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

	2010	2009
	NYULMC	NYULMC
Equity securities	42 %	22 %
Fixed income securities	12 %	38 %
Alternative investments	46 %	40 %
Total	100 %	100 %

The Medical Center maintains an investment pool for its long-term investments which include its endowment and similar funds. The pool is managed to achieve the maximum prudent long-term return. The University's Board of Trustees has authorized a policy designed to allow asset growth while providing a predictable flow of return to support operations. This policy permits the use of total return at approved spending rates (5.0% in 2010 and 2009). The rate is applied to the twelve-quarter moving average fair value of the investment pool. This amount, along with interest and dividends earned on short-term investments, is reported as operating revenues in the combined statements of operations. Investment return in excess of or less than the University's approved endowment distribution is reported as other items in the combined statements of operations.

Investment return consisted of the following for the years ended August 31, 2010 and 2009 (in thousands):

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Dividends and interest	$ 1,550	$ 5,533	$ 7,083	$ 6,736
Realized and unrealized gains (losses), net	16,631	47,907	64,538	(112,471)
Investment expenses	(36)	(1,925)	(1,961)	(1,110)
Total investment return, net	$ 18,145	$ 51,515	$ 69,660	$ (106,845)
Endowment distribution approved for spending	$ 17,527	$ 16,912	$ 34,439	$ 7,565
Temporarily restricted investment return, net	-	(525)	(525)	(1,729)
Investment return less than endowment distribution	618	35,128	35,746	(112,681)
Total investment return, net	$ 18,145	$ 51,515	$ 69,660	$ (106,845)

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

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Assets held under long-term debt agreements (see Note 6)				
Construction funds	$ 16,282	$ 23,670	$ 39,952	$ 58,746
Debt service funds	5,217	-	5,217	6,589
Debt service reserve funds	40,530	-	40,530	40,520
Capitalized interest funds	-	-	-	106
Taxable Exempt Leasing Program	16,814	-	16,814	-
Board Designated Funds	120,275	-	120,275	-
Assets held by CCC550 (see Note 7)				
Cash	24,975	-	24,975	32,127
Bond fund	85	-	85	188
Fixed income securities	180,528	-	180,528	108,768
Hedge fund	410	-	410	2,077
	405,116	23,670	428,786	249,121
Less current portion	(125,536)	(23,670)	(149,206)	(10,174)
Long-term portion	$ 279,580	$ -	$ 279,580	$ 238,947

4. Contributions Receivable

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

The Medical Center is aware of numerous unconditional promises to give and estimates the year of receipt to the extent possible. Contributions receivable are recorded within the accompanying combined balance sheets and are recorded net of an allowance for uncollectible pledges of $37.6 million and $36.4 million at August 31, 2010 and August 31, 2009, respectively. The anticipated present value of the receivable is as follows (in thousands):

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Amounts to be collected in				
Less than one year	$ 55,568	$ 35,369	$ 90,937	$ 104,320
One to five years	89,313	35,887	125,200	142,776
More than five years	1,389	10,131	11,520	26,012
	146,270	81,387	227,657	273,108
Discount to present value	(7,852)	(6,354)	(14,206)	(26,305)
Allowance for uncollectible amounts	(24,048)	(13,565)	(37,613)	(36,417)
Contributions receivable, net	$ 114,370	$ 61,468	$ 175,838	$ 210,386

Contributions receivable activity for the years ended August 31, 2010 and 2009 was as follows:

	2010 NYULMC	2009 NYULMC
Contributions receivable at beginning of year, net	$ 210,386	$ 264,159
Add discount to present value and allowance for uncollectables	62,722	58,798
Contributions receivable at end of year, gross	273,108	322,957
New pledges received (undiscounted)	71,032	54,335
Adjustments and writeoffs	(6,568)	(25,750)
Pledge payments received	(109,914)	(78,434)
Subtotal	227,658	273,108
Deduct discount to present value and allowance for uncollectables	(51,820)	(62,722)
Contributions receivable at end of year, net	$ 175,838	$ 210,386

Conditional promises to give, not included in these financial statements, were $269.2 million and $304.4 million at August 31, 2010 and 2009, respectively.

Expenses related to fundraising activities were $9.8 million and $9.4 million for the years ended August 31, 2010 and 2009, respectively.

5. Property, Plant and Equipment

A summary of property, plant and equipment is as follows at August 31, 2010 and 2009 (in thousands):

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Land and improvements	$ 39,025	$ 1,500	$ 40,525	$ 40,525
Buildings and improvements	681,839	677,817	1,359,656	1,168,735
Fixed and movable equipment	401,425	175,990	577,415	674,872
	1,122,289	855,307	1,977,596	1,884,132
Less accumulated depreciation	594,375	486,611	1,080,986	1,137,713
	527,914	368,696	896,610	746,419
Capital projects in progress	138,456	56,597	195,053	199,965
Property, plant and equipment, net	$ 666,370	$ 425,293	$ 1,091,663	$ 946,384

Depreciation expense for the year ended August 31, 2010 and 2009 was $94.1 million and $80.4 million, respectively.

The Medical Center capitalizes costs incurred in connection with the development of internal use software or purchased software modified for internal use. In fiscal years 2010 and 2009, approximately $62.8 million and $22.4 million was capitalized.

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

6. Long-Term Debt

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

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Series 2000D [a]	$ 46,800	$ -	$ 46,800	$ 48,300
Series 2001A [b]	-	3,848	3,848	4,557
Series 2001 (Series 1) [c]	-	54,000	54,000	54,000
Series 2001 (Series 2) [c]	-	54,207	54,207	54,207
Series 2003A [d]	1,343	1,285	2,628	7,163
Series 2006A [e]	94,590	-	94,590	94,590
Series 2006B [e]	11,175	-	11,175	16,290
Series 2007A [f]	156,125	-	156,125	159,335
Series 2007B [g]	91,045	-	91,045	92,645
Series 2009A [h]	-	35,781	35,781	-
Series 2009B [i]	-	64,260	64,260	-
NYU Taxable Series 2009 [j]	-	86,432	86,432	-
Accounts receivable financing [k]	21,800	-	21,800	21,800
Pension loan [l]	-	-	-	18,500
Taxable Exempt Leasing Program [m]	38,562	-	38,562	-
Lines of credit [n]	-	-	-	149,583
Various others	-	6	6	20
	461,440	299,819	761,259	720,990
Add premium	6,137	6,028	12,165	10,264
Less discount	(2,830)	(22)	(2,852)	(2,987)
Less current portion	(22,453)	(3,870)	(26,323)	(24,227)
Long term debt, less current portion	$ 442,294	$ 301,955	$ 744,249	$ 704,040

Interest expense on long-term debt totaled $40.8 million and $39.0 million for the years ended August 31, 2010 and 2009, respectively. This excludes $0.2 million and $1.0 million of capitalized interest (net of income earned on assets limited as to use) for the years ended August 31, 2010 and 2009, which is included in property, plant and equipment, net.

The carrying values and fair values of the Medical Center's long term debt as of August 31, 2010 are as follows (in thousands):

	2010						2009	
	NYUHC		NYUSoM		NYULMC		NYULMC	
	Carrying Values	Fair Values	Carrying Values	Fair Values	Carrying Values	Fair Values	Carrying Values	Fair Values
Long-term debt	$ 464,747	$ 469,497	$ 305,825	$ 325,764	$ 770,572	$ 795,261	$ 728,267	$ 626,948

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

In April 2004, the Hospitals Center arranged for a bank syndicate to acquire all of its Series 2000D bonds thereby removing the Series 2000D bonds from the 28-day auction mode for a period of five years. This arrangement was renewed on December 31, 2008 for a period of three years. Interest was reset at an interest rate of 30-day LIBOR plus 200 basis points (approximately 2.26% at August 31, 2010). Approximately $46.8 million of the Hospitals Center's obligation under Series 2000D is outstanding at August 31, 2010 ($48.3 million at August 31, 2009).

(b) NYUSoM has an agreement with the University whereby it will continue to make principal and interest payments on the Series 2001A bonds for which the University is the primary obligor, but for which the original funds were used to purchase property and equipment at the NYUSoM. NYUSoM's obligation includes annual principal repayments through July 2015. The bonds bear interest at rates ranging from 5.25% to 5.70%.

(c) NYUSoM has an agreement with the University whereby it will continue to make principal and interest payments on the Series 2001 (Series 1 and Series 2) bonds for which the University is the primary obligor, but for which the original funds were used to purchase property and equipment at the NYUSoM. NYUSoM's obligation includes annual principal repayments through July 2041. The bonds bear interest at rates ranging from 4.0% to 5.5%.

(d) The Hospitals Center and NYUSoM have an agreement with the University whereby it will continue to make principal and interest payments on the Series 2003A bonds for which the University is the primary obligor, but for which the original funds were used to purchase property and equipment at the Medical Center. The Medical Center's obligation includes annual principal repayments through July 2011. The bonds bear interest at rates ranging from 1.5% to 5.0%.

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

The proceeds of the Series 2006A and Series 2006B bonds were used to advance refund the Hospitals Center's portion of the outstanding indebtedness on the Series 2000A bonds. As a result of this transaction, the Hospitals Center and HSO are no longer co-obligated on indebtedness. Accordingly, the Hospitals Center withdrew from the Obligated Group on October 4, 2006 (see Note 1).

(f) In February 2007, the Hospitals Center issued through DASNY, Series 2007A revenue bonds totaling $165.3 million. The Series 2007A bonds are payable at varying dates through July 2036 at a fixed rate of 5.0%. The proceeds of the series 2007A bonds were used primarily to refund the outstanding Series 2000B bonds and finance the acquisition of the 34th Street Cancer Center facility.

(g) In December 2007, the Hospitals Center issued through DASNY, Series 2007B revenue bonds totaling $95.5 million. The Series 2007B bonds are payable at varying dates through 2037 at a fixed rate of 5.6%. The proceeds of the Series 2007B bonds were used to finance certain capital expenditures of the Hospitals Center.

(h) In December 2009, Washington Square issued on behalf of the School of Medicine, through DASNY, Series 2009A revenue bonds totaling $37.3 million. The Series 2009A bonds are payable at varying dates through July 2039 at fixed rates varying from 3.1% to 5.25%. The proceeds of Series 2009A were used to finance the acquisition of the Verizon Building located at 227 East 30th Street.

(i) In December 2009, Washington Square issued on behalf of the School of Medicine, through DASNY, Series 2009B revenue bonds totaling $65.3 million. The Series 2009B bonds are payable at varying dates through July 2039 at a fixed rates of 5%. The proceeds of Series 2009B were used to pay off the remaining outstanding amount on a line of credit related to capital expenditures on the Skirball building.

(j) In November 2009, Washington Square issued on behalf of the School of Medicine, the NYU Taxable Series 2009 bonds totaling $86.4 million. The NYU Taxable Series 2009 bonds are payable at varying dates through July 2032 at a fixed rate of 5.236%. The proceeds of the NYU Taxable Series 2009 bonds were used to pay off SoM's portion of the outstanding amount on a line of credit.

(k) During 2003, the Hospitals Center entered into an accounts receivable financing agreement. Under the terms of the agreement, the Hospitals Center received $17.0 million in cash and recorded a corresponding amount of long-term debt which is collateralized by accounts receivable. In 2004, the Hospitals Center refinanced this lending agreement with another bank for the same value, or $17.0 million. Additionally, in 2004, HJD entered into a similar accounts receivable lending agreement with a bank for $7.0 million. At August 31, 2010, the total amount outstanding was $21.8 million. Interest is payable monthly at the 30-day LIBOR plus 80 basis points (approximately 1.16% at August 31, 2010). The loans expire in June 2012.

(l) In January 2007, the Hospitals Center entered into a loan agreement with two commercial banks for $32.0 million. The proceeds were used to fund the Hospitals Center's defined benefit pension plan (see Note 8). The balance of $18.5 million was paid off in October 2009.

(m) In August 2009, the Hospitals Center entered into a lease agreement with DASNY under its tax-exempt leasing program ("TELP"). The lease line, totaling $46.0 million at a fixed interest rate of 5.25% will provide financing to the Hospitals Center for various capital equipment. As of August 31, 2010, $38.6 million is outstanding.

(n) In November 2009 and December 2009, the SoM's portion of the lines of credit were extinguished and in turn replaced with the NYU Taxable Series 2009 and DASNY 2009B bonds mentioned above. (Refer to (h) and (j)).

In June 2010, the Hospitals Center amended an existing loan agreement with a bank for an available line of credit totalling $75.0 million. The commitment on this line of credit expires in July 2013. Interest is payable on funds drawn on this line of credit at LIBOR plus 125 basis points. As of August 31, 2010, no amounts were outstanding on this line of credit.

The Hospitals Center also entered into a new loan agreement with a bank for an available line of credit totalling $75.0 million during June 2010. The commitment on this line of credit expires in July 2011. Interest is payable on funds drawn on this line of credit at LIBOR plus 125 basis points. As of August 31, 2010, no amounts were outstanding on this line of credit.

In conjunction with the former and current debt agreements, various types of security agreements were executed. The agreements include pledging, as collateral, a security interest in the Medical Center's property, plant and equipment, gross receipts and limitations on the use of certain assets, including the transfer of assets to entities outside the Medical Center. Under the terms of the various agreements listed above, the Hospitals Center and NYUSoM (in combination with the University) are each required to maintain certain financial ratios. The Hospitals Center's most restrictive covenants are meeting minimum requirements for debt service coverage ratio and days cash on hand. NYUSoM's debt covenants are calculated in combination with the University. At August 31, 2010 and 2009, the Medical Center was in compliance with the financial ratio covenants.

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

	2010		
	NYUHC	NYUSoM	NYULMC
2011	$ 22,203	$ 3,536	$ 25,739
2012	43,813	2,346	46,159
2013	21,356	2,477	23,833
2014	24,150	2,617	26,767
2015	15,568	6,203	21,771
Thereafter	334,350	282,640	616,990
Total	$ 461,440	$ 299,819	$ 761,259

7. Professional Liabilities Insurance Program

The Hospitals Center is self insured for professional liability primarily through a wholly-owned segregated cell captive company, CCC550, created on April 20, 2005 pursuant to the Exempt Insurance Act of Barbados. Prior coverage for professional and general liability risks was provided through a multi-provider pooled insurance program that includes commercial coverage and a captive insurance program.

Self-insured loss reserves comprise estimates for known reported losses and loss expenses plus a provision for losses incurred but not reported. Losses are valued by an external actuary and are based on the loss experience of the insured. In management's opinion, recorded reserves for self-insured exposures are adequate to cover the ultimate net cost of losses incurred to date; however, the provision is based on estimates and may ultimately be settled for a significantly greater or lesser amount.

CCC550 has cash and cash equivalents, and investments totaling $206.0 million and $143.2 million at August 31, 2010 and August 31, 2009, respectively, to fund related obligations. Also, within accounts payable and accrued expenses, the Hospitals Center has recorded obligations related to the multi-provider pooled program, obligations related to excess self insured exposures not covered by CCC550, and other self-insured risks. CCC550 has total obligations for insurance exposures of $195.9 million and $162.3 million as of August 31, 2010, and 2009, respectively. Including investment assets, CCC550 has total assets of $283.5 million and $231.0 million at August 31, 2010 and 2009. Including obligations for insurance exposures, CCC550 has total liabilities of $244.5 million and $208.5 million at August 31, 2010 and 2009. After eliminating entries, total assets and total liabilities on the combined balance sheets relating to CCC550 are $188.3 million at August 31, 2010 and $155.2 million as of August 31, 2009.

CCC550 also provides insurance coverage to certain voluntary attending physicians servicing the School of Medicine and the Hospitals Center. The cost of this insurance coverage is the responsibility of such physicians.

8. Retirement Plans

Substantially all Medical Center employees are covered by retirement plans. These plans include various defined contribution plans and two Medical Center-sponsored defined benefit plans. The Medical Center contributes to its defined contribution plans based on rates required by union or other contractual arrangements. Expenses related to the Medical Center's defined contribution plans were $44.2 million and $40.5 for the years ended August 31, 2010 and 2009, respectively. Contributions to multi-employer retirement plans totaled $14.0 million and $11.0 million for the years ended August 31, 2010 and 2009, respectively.

Contributions to defined benefit plans are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Contributions to the two defined benefit plans are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 plus such additional amounts as the sponsors may deem appropriate, from time to time. Pension benefits under these plans are based on participants' final average compensation levels and years of service. The measurement date for these defined benefit plans is August 31, 2010.

The Hospitals Center's plan was frozen as of July 1, 2000 and is no longer available to any new participants. NYUSoM's plan was frozen as of January 1, 2006, and is no longer available to any new participants. Participants of the plans as of these dates continue to accrue benefits.

The following table provides information with respect to these plans as of and for the years ended August 31, 2010 and 2009:

Plans' Funded Status (in thousands):

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Change in benefit obligation				
Benefit obligation at beginning year	$ 258,058	$ 146,079	$ 404,137	$ 364,021
Service cost	4,362	2,299	6,661	6,188
Interest cost	16,438	9,305	25,743	24,081
Actuarial loss	51,236	26,837	78,073	20,704
Benefits paid	(10,019)	(5,596)	(15,615)	(10,856)
Benefit obligation at end of year	320,075	178,924	498,999	404,138
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	$ 193,382	$ 112,042	$ 305,424	$ 311,492
Actual return on plan assets	16,325	9,600	25,925	(19,773)
Employer contributions	29,721	11,726	41,447	24,562
Benefits paid	(10,019)	(5,596)	(15,615)	(10,856)
Fair value of plan assets at end of year	229,409	127,772	357,181	305,425
Funded status at end of year	$ (90,666)	$ (51,152)	$ (141,818)	$ (98,713)

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Amounts recognized in the combined balance sheet consist of :				
Current liabilities	$ -	$ -	$ -	$ -
Noncurrent liabilities	90,666	51,152	141,818	98,713
Total amount recognized in combined balance sheet	$ 90,666	$ 51,152	$ 141,818	$ 98,713

	2010		2009	
	NYUHC	NYUSoM	NYUHC	NYUSoM
Weighted average assumptions used to determine net periodic benefit costs				
Discount rate	6.50 %	6.50 %	6.75 %	6.75 %
Rate of increase in compensation levels	4.00 %	4.00 %	4.00 %	4.00 %
Expected long term rate of return on assets	8.00 %	8.00 %	8.75 %	8.25 %
Weighted average assumptions as of August 31				
Discount rate	5.25 %	5.25 %	6.50 %	6.50 %
Rate of compensation increase	4.00 %	4.00 %	4.00 %	4.00 %

Net Periodic Benefit Cost (in thousands):

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Amounts in unrestricted net assets expected to be recognized in net periodic pension cost in the coming year				
Actuarial loss	$ 9,425	$ 4,625	$ 14,050	$ 4,360
Amounts not reflected yet in periodic benefit cost and included in unrestricted net assets are as follows:				
Net loss	$ 145,688	$ 77,404	$ 223,092	$ 144,796
Total decrease in unrestricted net assets	145,688	77,404	223,092	144,796
Cumulative employer contributions in excess of net periodic benefit cost	55,022	26,252	81,274	46,083
Net amount recognized in the balance sheet	$ 200,710	$ 103,656	$ 304,366	$ 190,879
Components of net periodic benefit cost				
Service cost	$ 4,362	$ 2,299	$ 6,661	$ 6,188
Interest cost	16,438	9,305	25,743	24,081
Expected return on plan assets	(19,508)	(11,000)	(30,508)	(30,018)
Amortization of prior service cost	-	-	-	(60)
Amortization of actuarial loss	2,869	1,490	4,359	324
Net periodic benefit cost	$ 4,161	$ 2,094	$ 6,255	$ 515
Other changes recognized in unrestricted net assets				
Actuarial net loss arising during period	$ 54,419	$ 28,237	$ 82,656	$ 70,496
Amortization of prior service cost	-	-	-	60
Amortization of actuarial loss	(2,870)	(1,490)	(4,360)	(324)
Total recognized in other changes in unrestricted net assets	$ 51,549	$ 26,747	$ 78,296	$ 70,232

The accumulated benefit obligation for the pension plans were $472.1 million and $379.8 million at August 31, 2010 and 2009, respectively.

Plan Assets:
The plans' investment objectives seek a positive long-term total rate of return after inflation to meet the Medical Center's current and future plan obligations. Asset allocations for the plans combine tested theory and informed market judgments to balance investment risks with the need for high returns.

The expected long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes, weighting the asset class returns by the plans' investment in each class, and taking into account expected volatility and correlation between the returns of various asset classes. Medical Center management believes 8.00% and 8.25% - 8.75% is a reasonable long term rate of return on plan assets for 2010 and 2009, respectively and will continue to evaluate the actuarial assumptions and adjust the assumptions as necessary.

The plans' asset allocations as of August 31, 2010 and 2009, by asset category are as follows:

	2010		2009	
	NYUHC	NYUSoM	NYUHC	NYUSoM
Equity securities	45 %	45 %	0 %	0 %
Fixed income securities	50 %	50 %	40 %	38 %
Real estate	5 %	5 %	0 %	0 %
Other	0 %	0 %	60 %	62 %
	100 %	100 %	100 %	100 %

Fair Value Measurements of Plan Assets
The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of August 31, 2010

	Balance at August 31, 2010	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Inputs Unobservable (Level 3)
Comingled Mutual Funds	$ 357,181	$ -	$ 357,181	$ -
Total assets at fair value	$ 357,181	$ -	$ 357,181	$ -

Contributions:
Annual contributions are determined by the Medical Center based upon calculations prepared by the Plans' actuaries. Expected contributions for the 2011 fiscal year are $41.4 million.

Benefit Payments:
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

	2010		
	NYUHC	NYUSoM	NYULMC
Year ending December 31			
2011	$ 11,803	$ 6,413	$ 18,216
2012	13,280	7,246	20,526
2013	14,760	8,077	22,837
2014	16,220	8,812	25,032
2015	17,380	9,683	27,063
Thereafter	104,057	59,491	163,548
	$ 177,500	$ 99,722	$ 277,222

9. Other Postretirement Benefits

The Medical Center provides certain health care and life insurance benefits for eligible retired employees. Medical Center employees may become eligible for these benefits if they reach the age and service requirements of the plan while working for the Medical Center. The costs related to these plans are accrued during the period the employees provide service to the Medical Center.

Information with respect to these plans as of and for the year ended August 31, 2010 and 2009 is as follows:

Plans' Funded Status (in thousands):

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Change in benefit obligation				
Benefit obligation at beginning of year	$ 47,968	$ 78,405	$ 126,373	$ 112,583
Service cost	2,444	3,997	6,441	5,703
Interest cost	3,182	5,195	8,377	7,451
Actuarial (gain) loss	8,168	25,073	33,241	3,864
Participant contributions	985	1,396	2,381	2,068
Retiree drug subsidy receipts	171	368	539	485
Benefits paid	(1,789)	(4,530)	(6,319)	(5,781)
Benefit obligation at end of year	61,129	109,904	171,033	126,373
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	-	19,645	19,645	19,351
Actual return on plan assets	-	60	60	294
Company contributions	633	2,766	3,399	3,228
Plan participants' contributions	985	1,396	2,381	2,068
Benefits paid	(1,618)	(4,162)	(5,780)	(5,296)
Fair value of plan assets at end of year	-	19,705	19,705	19,645
Funded status at end of year	$ (61,129)	$ (90,199)	$ (151,328)	$ (106,728)

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Amounts recognized in the combined balance sheet consist of:				
Current liabilities	$ 1,879	$ -	$ 1,879	$ 1,896
Noncurrent liabilities	59,250	90,199	149,449	104,832
Total amount recognized in combined balance sheet	$ 61,129	$ 90,199	$ 151,328	$ 106,728

	2010		2009	
	NYUHC	NYUSoM	NYUHC	NYUSoM
Weighted average assumptions used to determine Net Periodic Benefit Cost				
Discount rate	6.75%	6.75%	6.75%	6.75%
Expected long term rate of return on plan assets	N/A	8.00%	N/A	8.00%

	2010		2009	
	NYUHC	NYUSoM	NYUHC	NYUSoM
Weighted average assumptions as of August 31				
Discount rate	5.50%	5.50%	6.75%	6.75%
Expected long-term rate of return	N/A	8.00%	N/A	8.00%
Initial health care cost trend rate	8.50%	8.50%	8.00%	8.00%
Ultimate retiree health-care cost trend	5.00%	5.00%	5.00%	5.00%
Year ultimate trend rate is achieved	2019	2019	2016	2016

Net Periodic Benefit Cost (in thousands):

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets				
Transition obligation	$ -	$ 65	$ 65	$ 87
Prior service credit	(8,212)	(6,536)	(14,748)	(19,058)
Accumulated loss	20,736	48,259	68,995	35,932
Amounts in unrestricted net assets at August 31, 2010 and 2009	$ 12,524	$ 41,788	$ 54,312	$ 16,961
Amounts in unrestricted net assets expected to be recognized in net periodic pension cost in the coming year				
Actuarial loss	$ 1,169	$ 2,643	$ 3,812	$ 1,690
Prior service cost recognition	(1,995)	(2,315)	(4,310)	(4,310)
Transition obligation	-	22	22	22
Total amounts expected to be recognized in net periodic pension cost in the coming year	(826)	350	(476)	(2,598)
Components of net periodic benefit cost				
Service cost	$ 2,444	$ 3,997	$ 6,441	$ 5,703
Interest cost	3,182	5,195	8,377	7,451
Expected return on plan assets	-	(1,572)	(1,572)	(1,597)
Amortization of transition obligation	-	22	22	22
Amortization of prior service cost	(1,995)	(2,315)	(4,310)	(4,310)
Actuarial loss	681	1,009	1,690	1,559
Net periodic benefit cost	$ 4,312	$ 6,336	$ 10,648	$ 8,828
Other changes recognized in unrestricted net assets				
Actuarial net loss arising during period	$ 8,168	$ 26,585	$ 34,753	$ 5,168
Amortization of actuarial net loss	(681)	(1,009)	(1,690)	(1,559)
Amortization of prior service cost	1,995	2,315	4,310	4,310
Amortization of transition obligation	-	(22)	(22)	(22)
Total other changes recognized in unrestricted net assets	$ 9,482	$ 27,869	$ 37,351	$ 7,897

In 2010 and 2009, the effect of a 1% change in the health care cost trend rate is as follows (in thousands):

	2010			
	NYUHC		NYUSoM	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 1,130	$ (893)	$ 1,935	$ (1,513)
Effect on postretirement benefit obligation	10,433	(8,409)	19,216	(15,406)

	2009			
	NYUHC		NYUSoM	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 1,033	$ (816)	$ 1,561	$ (1,338)
Effect on postretirement benefit obligation	7,425	(6,058)	12,115	(9,855)

Plan Assets:
The plan's investment objectives seek a positive long-term total rate of return after inflation to meet the Medical Center's current and future plan obligations. The asset allocation for the plan combines tested theory and informed market judgments to balance investment risks with the need for high returns.

The expected long-term rate of return assumption is determined by adding expected inflation to expect long-term real returns of various asset classes, taking into account expected volatility and correlation between the returns of various asset classes. Medical Center management believes that 8.00% is reasonable long term rate of return on plan assets for both 2010 and 2009, and will continue to evaluate the actuarial assumptions and adjust the assumptions as necessary.

NYUSoM's plan assets were primarily invested in cash as of August 31, 2010 and 2009. NYUHC does not have any plan assets.

Fair Value Measurements of Plan Assets

The following table sets forth by level, within the fair value hierarchy, the NYUSoM postretirement Plan's investments at fair value as of August 31, 2010:

	Balance at August 31, 2010	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Inputs Unobservable (Level 3)
Comingled Mutual Funds	$ 19,705	$ -	$ 19,705	$ -
Total assets at fair value	$ 19,705	$ -	$ 19,705	$ -

Benefit Payments:
The following benefit payments (net of retiree contributions) and estimated gross amount of subsidy receipts, as appropriate, are expected as follows:

Estimated future benefit payments (in thousands):

	2010		
	NYUHC	NYUSoM	NYULMC
Year ending August 31			
2011	$ 1,879	$ 3,622	$ 5,501
2012	2,055	3,952	6,007
2013	2,264	4,307	6,571
2014	2,496	4,638	7,134
2015	2,772	5,011	7,783
Thereafter	18,826	31,750	50,576
	$ 30,292	$ 53,280	$ 83,572

Estimated gross amounts of subsidy receipts (in thousands):

	2010		
	NYUHC	NYUSoM	NYULMC
Year ending August 31			
2011	$ 248	$ 538	$ 786
2012	280	590	870
2013	313	645	958
2014	350	705	1,055
2015	389	766	1,155
Thereafter	2,687	4,927	7,614
Total	$ 4,267	$ 8,171	$ 12,438

10. Functional Expenses

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

	2010				2009
	NYUHC	NYUSoM	Eliminations	NYULMC	NYULMC
Health care related services	$ 996,523	$ 347,874	$ -	$ 1,344,397	$ 1,220,959
General and administrative	408,643	760,604	(41,596)	1,127,651	1,019,574
	$ 1,405,166	$ 1,108,478	$ (41,596)	$ 2,472,048	$ 2,240,533

11. Related Organizations

The Medical Center shares various services with the University. The balance due to the University of $135.9 million includes $34.2 million of vendor invoices, $11.0 million relating to the University's share of the proceeds from the sale of a royalty stream and $90.7 million equity transfer resulting from the NYUSoM's acquisition of two residence halls from the University. The NYUSoM will repay the University both principal and interest for the residence halls monthly at a fixed rate of 5.0% per annum.

In December 2009, the Hospitals Center committed to transfer $50.0 million to the NYUSoM to support certain joint strategic programs that are expected to promote the common missions of the Hospitals Center and the NYUSOM. This amount is included as an expense / revenue in the other items section in the accompanying combining statements of operations, and has been eliminated on the combined statements of operations.

12. Commitments and Contingencies

Litigation

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

Operating Leases

Future minimum lease payments under non-cancellable operating leases with initial or remaining terms of one year or more at August 31, 2010 consisted of the following (in thousands):

	NYUHC	NYUSoM	NYULMC
2011	$ 29,297	$ 26,321	$ 55,618
2012	27,042	16,416	43,458
2013	23,524	13,810	37,334
2014	19,362	10,978	30,340
2015	14,464	8,998	23,462
Thereafter	100,535	32,123	132,658
Total minimum lease payments	$ 214,224	$ 108,646	$ 322,870

Total rent expense for 2010 and 2009 was $68.5 million and $48.4 million, respectively.

Other

The Hospitals Center is self-insured for workers' compensation benefits. In connection with being self-insured, the Hospitals Center has stand-by letters of credit aggregating approximately $13.9 million and $12.1 million at August 31, 2010 and 2009, respectively. Cash and marketable securities collateralize the letters of credit.

The Hospitals Center is self-insured, based on individual employees' elections for medical and pharmaceutical benefits. Liabilities have been accrued at August 31, 2010 and 2009 based on expected future payments pertaining to such years.

13. Components of Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at August 31, 2010 and 2009 (in thousands):

	2010			2009
	NYUHC	NYUSoM	NYULMC	NYULMC
Temporarily Restricted				
Contributions and earnings for operating purposes	$ 906	$ 101,358	$ 102,264	$ 130,056
Contributions for building and equipment	166,843	10,341	177,184	161,391
Annuity trust agreements	-	5,642	5,642	5,790
Scholarships and fellowships	-	1,386	1,386	1,376
Total	$ 167,749	$ 118,727	$ 286,476	$ 298,613

Permanently restricted net assets at August 31, 2010 and 2009 are retained in perpetuity with investment return on the respective funds available to support the following activities (in thousands):

	2010			2009
	NYUHC	NUYSoM	NYULMC	NYULMC
Permanently Restricted				
Program Support	$ 8,746	$ 149,370	$ 158,116	$ 144,747
Faculty and staff salaries	-	68,282	68,282	56,867
Scholarships and fellowships	-	17,862	17,862	16,291
Library books	-	236	236	225
Research and sponsored programs	-	20,265	20,265	18,612
Building and equipment	-	1,942	1,942	1,853
Student loans	-	294	294	280
Total	$ 8,746	$ 258,251	$ 266,997	$ 238,875

The Medical Center's portion of the University's endowment consists of approximately 606 individual funds established for a variety of purposes. As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted the State of New York's enacted version of the Uniform Management of Instructional Funds Act ("UMIFA") as requiring the preservation of the historic dollar value of donor-restricted endowment funds (absent explicit donor stipulations to the contrary). The term historic dollar value is defined as the aggregate fair value in dollars of (i) an endowment fund at the time it became an endowment fund, (ii) each subsequent donation to the fund at the time it is made, and (iii) each accumulation made pursuant to the donor stipulations in the applicable gift instrument at the time the accumulation is added to the fund. As a result of this interpretation, the Medical Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanently restricted net assets (b) the original value of subsequent gifts to the permanent endowment (c) the net realizable value of future payments to permanently restricted net assets in accordance with the donor's gift instrument (outstanding endowment pledges net of applicable discount) and (d) appreciation (depreciation), gains (losses) and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in permanently restricted net assets. 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 or unrestricted net assets, depending on donor stipulations.

The Board of Trustees further understands that expenditures from a donor-restricted fund is limited to the uses and purposes for which the endowment fund is established and the use of net appreciation, realized gains (with respect to all assets) and unrealized gains (with respect only to readily marketable assets) is limited to the extent that the fair value of a donor-restricted fund exceeds the historic dollar value of the fund (unless the applicable gift instrument indicates that net appreciation shall not be expended), to the extent that such expenditure is prudent, considering the long and short term needs of the Medical Center in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

The following table provides the changes in each endowment net asset category at August 31, 2010:

	Unrestricted	Permanently Restricted	2010
Endowment net assets, beginning of year	$ 402,073	$ 277,288	$ 679,361
Investment return:			
Investment income, net of trees	2,661	1,919	4,580
Net appreciation/depreciation	28,495	20,777	49,272
Total investment return	31,156	22,696	53,852
Contributions and other additions	2,998	27,165	30,163
Endowment distribution	(5,119)	(12,292)	(17,411)
Liquidations	(2,661)	1,387	(1,274)
Endowment net assets, end of year	$ 428,447	$ 316,244	$ 744,691

14. Grants and Contracts

Grants and contracts revenue represents reimbursements of costs incurred in direct support of research activities. Additionally, such sponsored grants and contracts generally provide for the recovery of indirect costs supporting the research effort. Indirect costs, included in grants and contracts revenues, are recovered at rates established in advance by the Medical Center through negotiations with the Federal government and other private sponsors and amounted to $71.6 million and $57.9 million for the years ended August 31, 2010 and 2009, respectively.

15. Hospital Affiliations

NYUSoM has two affiliation agreements with the New York City Health and Hospitals Corporation (HHC) to provide general care and mental health services. One agreement is with Woodhull Medical and Mental Health Center and Cumberland Diagnostic and Treatment Center which terminated on June 30, 2010 and is currently in the process of being extended to cover the period from July 1, 2010 to June 30, 2012. The other agreement is with Bellevue Hospital Center and Gouverneur Diagnostic and Treatment Center which terminates June 30, 2011.

16. Subsequent Events

The Medical Center performed an evaluation of subsequent events through December 15, 2010, which is the date the Combined Financial Statements were issued.

In September 2010, the NYUSoM purchased a building in the amount of $44.2 million to be used for research activities and patient care. The purchase was funded through the working capital of NYUSoM.

On September 17, 2010, New York State adopted UPMIFA (See Note 1). Management is currently evaluating the impact of this new law and will reflect the amount of any reclassification of unrestricted net assets to temporarily restricted net assets in the 2011 financial statements.

Other Financial Information

NYU Langone Medical Center
(A Component of New York University)
Combining Balance Sheets
August 31, 2010

	NYU Hospitals Center	CCC550	NYUHC Eliminations	NYUHC	NYUSOM	NYULMC Eliminations	NYULMC
Assets							
Current assets							
Cash and cash equivalents	$ 249,576	$ -	$ -	$ 249,576	$ 108,904	$ -	$ 358,480
Marketable securities	3,892	-	-	3,892	52,219	-	56,111
Assets limited as to use	5,261	-	-	5,261	23,670	-	28,931
Assets limited as to use- Board designated	120,275	-	-	120,275	-	-	120,275
Patient accounts receivable, less allowances for uncollectibles (2010 $61,754 ,$2009 $58,242)	182,823	-	-	182,823	41,929	-	224,752
Contribution receivable, current	55,568	-	-	55,568	35,369	-	90,937
Other accounts receivables	-	-	-	-	32,394	-	32,394
Insurance receivables – billed	-	76,014	(56,121)	19,893	-	-	19,893
Due from related organizations	-	-	-	-	31,823	(31,823)	-
Inventories	21,975	-	-	21,975	-	-	21,975
Other current assets	28,580	1,498	-	30,078	19,406	-	49,484
Total current assets	667,950	77,512	(56,121)	689,341	345,714	(31,823)	1,003,232
Marketable securities	19,437			19,437	731,395	-	750,832
Assets limited as to use	73,582	205,998	-	279,580	-	-	279,580
Contributions receivable – long term	58,802	-	-	58,802	26,099	-	84,901
Other assets	47,155	-	(39,048)	8,107	31,913	-	40,020
Deferred financing costs	10,125	-	-	10,125	3,951	-	14,076
Property, plant and equipment – net	666,370	-	-	666,370	425,293	-	1,091,663
Total assets	$ 1,543,421	$ 283,510	$ (95,169)	$ 1,731,762	$ 1,564,365	$ (31,823)	$ 3,264,304
Liabilities and net assets							
Current liabilities							
Current portion of long-term debt	$ 22,453	$ -	$ -	$ 22,453	$ 3,870	$ -	$ 26,323
Accounts payable and accrued expenses	128,012	265	-	128,277	91,082	-	219,359
Accrued salaries and related liabilities	40,689	-	-	40,689	47,158	-	87,847
Accrued interest payable	3,497	-	-	3,497	2,581	-	6,078
Current portion of accrued postretirement liabilities	1,879	-	-	1,879	-	-	1,879
Deferred revenue	-	48,286	(38,025)	10,261	43,830	-	54,091
Due to related organizations, net	31,823	-	-	31,823	28,551	(31,823)	28,551
Other current liabilities	40,602	-		40,602	128	-	40,730
Total current liabilities	268,955	48,551	(38,025)	279,481	217,200	(31,823)	464,858
Long-term debt, less current portion	442,294	-	-	442,294	301,955		744,249
Outstanding losses and loss adjustment expenses	-	195,911	-	195,911	-	-	195,911
Accrued pension liabilities	90,666	-	-	90,666	51,152	-	141,818
Accrued postretirement liabilities, less current portion	59,250	-	-	59,250	90,199	-	149,449
Due to related organizations, net	-	-	-	-	107,372	-	107,372
Other liabilities	175,108	-	(18,096)	157,012	13,541	-	170,553
Total liabilities	1,036,273	244,462	(56,121)	1,224,614	781,419	(31,823)	1,974,210
Net assets							
Unrestricted	330,653	39,048	(39,048)	330,653	405,968	-	736,621
Temporarily restricted	167,749	-	-	167,749	118,727	-	286,476
Permanently restricted	8,746	-	-	8,746	258,251	-	266,997
Total net assets	507,148	39,048	(39,048)	507,148	782,946	-	1,290,094
Total liabilities and net assets	$ 1,543,421	$ 283,510	$ (95,169)	$ 1,731,762	$ 1,564,365	$ (31,823)	$ 3,264,304

NYU Langone Medical Center
(A Component of New York University)
Combining Statements of Operations
August 31, 2010

	NYU Hospitals Center	CCC550	Eliminations	NYUHC	NYUSoM	NYULMC Eliminations	NYULMC
Operating revenue							
Net patient service revenue	$ 1,504,484	$ -	$ -	$ 1,504,484	$ 385,957	$ (41,596)	$ 1,848,845
Hospital Affiliations	-	-	-	-	222,632	-	222,632
Grants and sponsored programs	3,880	-	-	3,880	234,309	-	238,189
Tuition	-	-	-	-	32,792	-	32,792
Premiums earned	-	56,388	(25,319)	31,069	-	-	31,069
Contributions	7,355	-	-	7,355	35,054	-	42,409
Endowment distribution and return on short-term investments	1,732	15,796	-	17,528	16,911	-	34,439
Other revenue	42,620	-	(16,528)	26,092	84,332	-	110,424
Net assets released from restrictions for operating purposes	10,281	-	-	10,281	49,293	-	59,574
Total operating revenue	1,570,352	72,184	(41,847)	1,600,689	1,061,280	(41,596)	2,620,373
Operating expenses							
Salaries and wages	531,679	-	-	531,679	658,090	(41,596)	1,148,173
Employee benefits	151,875	-	-	151,875	140,731	-	292,606
Supplies and other	596,043	55,656	(25,319)	626,380	246,242	-	872,622
Depreciation and amortization	55,170	-	-	55,170	43,156	-	98,326
Interest	25,780	-	-	25,780	14,999	-	40,779
Patient care bad debt expense	14,282	-	-	14,282	5,260	-	19,542
Total operating expenses	1,374,829	55,656	(25,319)	1,405,166	1,108,478	(41,596)	2,472,048
Gain (loss) from operations	195,523	16,528	(16,528)	195,523	(47,198)	-	148,325
Other items							
Loss on disposals of property, plant and equipment	(1,101)	-	-	(1,101)	(1,260)	-	(2,361)
Mission based payment to NYUSoM	(50,000)	-	-	(50,000)	50,000	-	-
Investment return less than endowment distribution, net	618	-	-	618	35,128	-	35,746
Excess (deficiency) of revenue over expenses	145,040	16,528	(16,528)	145,040	36,670	-	181,710
Other changes in unrestricted net assets							
Changes in pension and postretirement obligations	(61,031)	-	-	(61,031)	(54,616)	-	(115,647)
Contributions for capital asset acquisitions	962	-	-	962	3,442	-	4,404
Net assets released from restrictions for capital purposes	15,447	-	-	15,447	1,737	-	17,184
Transfer of Equity to NYUSoM	(3,250)	-	-	(3,250)	3,250	-	-
Transfer of Equity to University	-	-	-	-	(90,654)	-	(90,654)
Net increase (decrease) in unrestricted net assets	$ 97,168	$ 16,528	$ (16,528)	$ 97,168	$ (100,171)	$ -	$ (3,003)

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Appendix C

Summary of Certain Provisions of the Loan Agreement

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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

Termination

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

(Section 38)

Project Financing

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

(*Section 4)*

Construction of Projects

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

(Section 5)

Amendment of a Project; Cost Increases; Additional Bonds

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

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

(Section 6)

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

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

(a) On or before the date of delivery of the Series 2011A Bonds, payment of the Authority Fee and payment of the Department of Health fee;

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

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

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

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

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

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

(h) On the date a Series of Bonds, other than the Series 2011A Bonds, the Series 2007B Bonds the Series 2007A Bonds, the Series 2006B Bonds, the Series 2006A Bonds or the Series 2000D Bonds, is issued, an amount equal to the Authority Fee;

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

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

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

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

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

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

The Institution agrees that it is also obligated to make all payments when due on the Obligations to the applicable holders of the Obligations, and that the applicable holders will be entitled to so receive all payments when due on the Obligations, it being the intention of the parties to the Loan Agreement that the Obligations and the Loan Agreement are separate (but not duplicative) obligations of the Institution (and, to the extent provided in the Obligations, of the Obligated Group), that payments by the Institution (or the Obligated Group) to the Applicable Trustee pursuant to the Obligations relating to the Series 2000D Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, the Series 2007B Bonds and the Series 2011A Bonds, respectively, will serve as a credit against amounts due from the Institution to the Authority pursuant to the Loan Agreement with regard to the Applicable Bonds and that payments by the Institution to or upon the order of the Authority pursuant to the Loan Agreement will serve as a credit against respective amounts due from the Institution (or the Obligated Group) to the Trustee pursuant to the Applicable Obligation.

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

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

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

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

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

(Section 9)

Reserve Funds

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

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

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

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

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

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

(Section 10)

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

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

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

(Section 12)

Tax-Exempt Status

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

(Section 13)

Maintenance of Corporate Existence

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

(Section 15)

Use of Project

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

(Section 17)

Restrictions on Religious Use

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

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

(Section 18)

Maintenance, Repair and Replacement.

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

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

(Section 20)

Damage or Condemnation

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

(Section 21)

Taxes and Assessments

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

(Section 22)

Defaults and Remedies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Section 26)

Arbitrage

The Institution covenants that it will not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2000D Bonds, the Series 2006A Bonds, the Series 2007A Bonds, the Series 2007B Bonds and the Series 2011A Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Institution covenants that it will comply with the instructions and requirements of the Tax Regulatory Agreement, which is incorporated in the Loan Agreement as if set forth fully in the Loan Agreement. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) will not, pursuant to an arrangement, formal or informal, purchase Bonds (except in the case of a purchase in lieu of redemption) in an amount related to the amount of any obligation to be acquired from the Institution by the Authority. The Institution will, on a timely basis, provide the Authority with all necessary information and, to the extent of any rebate or yield adjustment payment (as referred to in the Tax Regulatory Agreement) required to be paid, funds not in the Authority's possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution.

(Section 31)

Amendments to Loan Agreement

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

(Section 37)

Appendix D

Summary of Certain Provisions of the Resolution

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Resolution, the Series Resolutions and the Bonds Constitute Separate Contracts

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

(Section 1.03)

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

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

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

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

(Section 1.04)

Refunding Bonds

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

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

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

(Section 2.04)

Additional Obligations

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

(Section 2.05)

Pledge of Revenues

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

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

(Section 5.01)

Establishment of Funds

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

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

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

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

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

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

(Section 5.03)

Application of Moneys in the Construction Fund

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

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

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

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

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

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

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

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

Third: To the Applicable Debt Service Fund for the redemption or purchase of the Applicable Series of Bonds in accordance with the Resolution and the Applicable Series Resolution, any balance remaining.

(Section 5.04)

Enforcement of Obligations, Deposit of Revenues and Allocation Thereof

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

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

First: To reimburse, pro rata, the Applicable Facility Provider, if any, for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to the Applicable Facility Provider, if any;

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

Third: To the Applicable Debt Service Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and

Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Applicable Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Loan Agreement in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fourth.

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

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

(Section 5.05)

Debt Service Fund

1. The Trustee will on or before the business day preceding each interest payment date pay, from the Applicable Debt Service Fund, to itself and any other Paying Agent:

(a) the interest due on all Outstanding Bonds of the Applicable Series on such interest payment date;

(b) the principal amount due on all Outstanding Bonds of the Applicable Series on such interest payment date;

(c) the Sinking Fund Installments, if any, due on all Outstanding Bonds of the Applicable Series on such interest payment date; and

(d) moneys required for the redemption of Bonds of the Applicable Series in accordance with the Resolution.

(e) The amounts paid out pursuant to the Resolution will be irrevocably pledged to and applied to such payments.

2. In the event that on the fourth business day preceding any Interest Payment Date the amount in the Applicable Debt Service Fund will be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds of the Applicable Series, for the payment of principal of such Outstanding Bonds, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be

purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee will withdraw from the Applicable Debt Service Reserve Fund and deposit to the Applicable Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payments. The Trustee will notify the Authority, the Applicable Facility Provider, if any, Credit Facility Issuer, if any, Master Trustee, Obligated Group Representative and each member of the Obligated Group of a withdrawal from the Applicable Debt Service Reserve Fund.

3. Notwithstanding the provisions of paragraph 1 of this section, the Authority may, at any time subsequent to the first principal payment date of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Applicable Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by the Institution(s) and delivered to the Trustee in accordance with the Loan Agreement(s) will be canceled upon receipt thereof by the Trustee and evidence of such cancellation will be given to the Authority. The principal amount of each Term Bond so canceled will be credited against the Sinking Fund Installment due on such date, provided that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

4. Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Applicable Outstanding Bonds payable on or prior to the next succeeding principal payment date, the interest on Applicable Outstanding Bonds payable on the earlier of the next succeeding interest payment date, and the purchase price or Redemption Price of Applicable Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, will be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Applicable Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority will direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Applicable Debt Service Fund, such moneys may be applied by the Trustee: (i) in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds as provided in the Resolution, at the Redemption Prices specified in the Applicable Series Resolution or Bond Series Certificate or (ii) as may otherwise be directed by the Authority.

(Section 5.06)

Debt Service Reserve Fund

1. (a) The Trustee will deposit to the credit of the Applicable Debt Service Reserve Fund such proceeds of the sale of Bonds, if any, as will be prescribed in the Applicable Series Resolution or the Applicable Bond Series Certificate, and any Revenues, moneys, Government Obligations and Exempt Obligations as, by the provisions of the Loan Agreement(s), are delivered to the Trustee by the Applicable Institution(s) for the purposes of the Applicable Debt Service Reserve Fund.

(b) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds for all or any part of the Applicable Debt Service Reserve Requirement; provided (i) that any such surety bond or insurance policy will be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody's and S&P or, if Outstanding Bonds of a Series are not rated by both Moody's and S&P, by whichever of said rating services that then rates such Outstanding Bonds and (ii) that any letter of credit will be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or

uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if such Outstanding Bonds are not rated by Moody's and S&P, by whichever of said rating services that then rates such Outstanding Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility will be deposited in full or partial satisfaction of a Debt Service Reserve Fund Requirement unless the Trustee will have received prior to such deposit (i) an opinion of counsel acceptable to an Applicable Credit Facility Issuer to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority, and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or the Institution thereunder or under any applicable provisions of the Debtor and Creditor Law of the State and (iv) the written consent of all Applicable Credit Facility Issuers, if any.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Facility Provider is reduced below the ratings required by the second preceding paragraph, the Authority will, unless at the time such ratings are reduced such Facility Provider is the Credit Facility Issuer of all Outstanding Bonds, either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the second preceding paragraph or (ii) deposit or cause to be deposited in the Applicable Debt Service Reserve Fund an amount of moneys, Government Obligations or Exempt Obligations which meet the requirements of the Resolution which is equal to the value of the Reserve Fund Facility of such Facility Provider, such deposits to be, as nearly as practicable, in ten equal semi-annual installments commencing on the earlier of the January 1 or July 1 next succeeding the reduction in said ratings.

Each such surety bond, insurance policy or letter of credit will be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For the purposes of the Resolution, in computing the amount on deposit in the Applicable Debt Service Reserve Fund, a Reserve Fund Facility will be valued at the amount available to be paid thereunder on the date of computation; provided that, if the unsecured or uncollateralized long term debt of such Facility Provider, or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of said Facility Provider has been reduced below the ratings required by the Resolution, said Reserve Fund Facility will be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of interest payment dates which has elapsed since such ratings were reduced and the denominator of which is ten.

2. Moneys held for the credit of the Applicable Debt Service Reserve Fund will be withdrawn by the Trustee and deposited to the credit of the Applicable Debt Service Fund at the times and in the amounts required to comply with the provisions of the Resolution; provided that no payment under a Applicable Reserve Fund Facility will be sought unless and until moneys are not available in the Applicable Debt Service Reserve Fund and the amount required to be withdrawn from the Applicable Debt Service Reserve Fund pursuant to this section cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee will obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder. The Trustee will provide notification as set forth in the Resolution of any withdrawal of moneys from the Debt Service Reserve Fund or payment of a Reserve Fund Facility immediately upon such withdrawal or payment.

With respect to any demand for payment under any Reserve Fund Facility, the Trustee will make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required.

3. (a) Moneys and investments held for the credit of an Applicable Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement, upon direction of an Authorized Officer of the Authority, will be withdrawn by the Trustee and (i) deposited in the Applicable Arbitrage Rebate Fund, Debt Service Fund or Construction Fund, (ii) paid to the Institution(s) or (iii) applied by the Authority to pay the principal or Redemption Price of and interest on bonds of the Authority issued in connection with the Applicable Institution pursuant to resolutions other than the Resolution, in accordance with such direction; provided, however, with respect to Bonds the interest on which is intended to be excludable from gross income for federal income tax purposes, that no such amount will be withdrawn and deposited, paid or applied unless in the opinion of Bond Counsel such deposit, payment or application will not adversely affect the exclusion of interest on any such Bonds from gross income for federal income tax purposes.

(b) Notwithstanding the provisions of the Resolution, if, upon a Bond having been deemed to have been paid in accordance with the "Defeasance" section of the Resolution or redeemed prior to maturity from the proceeds of Bonds, bonds, notes or other obligations issued for such purpose, the moneys and investments held for the credit of the Applicable Debt Service Reserve Fund will exceed the Applicable Debt Service Reserve Fund Requirement, then the Trustee will, simultaneously with such redemption or a deposit made in accordance with the "Defeasance" section of the Resolution, withdraw all or any portion of such excess from the Applicable Debt Service Reserve Fund upon the direction of an Authorized Officer of the Authority and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority or (ii) fund any reserve for the payment of the principal and sinking fund installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bond if, in the opinion of Bond Counsel, application of such moneys to the use authorized in this clause (ii) will not adversely affect the exclusion of interest on any Applicable Bonds from gross income for federal income tax purposes, or (iii) pay such amount to the Authority for deposit to the Applicable Construction Fund if, in the opinion of Bond Counsel, application of such moneys to the payment of Costs of the Project(s) will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; provided that after such withdrawal the amount remaining in the Applicable Debt Service Reserve Fund will not be less than the Applicable Debt Service Reserve Fund Requirement.

4. If upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of a Debt Service Reserve Fund are less than the Applicable Debt Service Reserve Fund Requirement, the Trustee will immediately notify the Authority and the Applicable Institution of such deficiency and such Institution will, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations, Exempt Obligations or Reserve Fund Facilities the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. If the Applicable Institution has not made timely payment, the Trustee will immediately notify the Authority, the Obligated Group Representative and the Master Trustee of such non-payment and will seek payment under the Applicable Obligation in accordance with the terms thereof.

(Section 5.07)

Arbitrage Rebate Fund

The Trustee will deposit to the appropriate account in the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Institution(s) for deposit therein and, notwithstanding any other provisions of the Resolution, will transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as will be set forth in such directions.

Moneys on deposit in the Applicable Arbitrage Rebate Fund will be applied by the Trustee in accordance with the direction of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority will determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which the Authority determines to be in

excess of the amount required to be so rebated will be deposited to any Applicable Fund in accordance with the directions of the Authority.

If and to the extent required by the Code, the Authority will periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Applicable Series of Bonds and direct the Trustee to (i) transfer from any other of the Applicable funds held by the Trustee under the Resolution and deposit to the Applicable Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Applicable Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets of an Applicable Debt Service Fund and the Debt Service Reserve Fund pursuant to the section in the Resolution entitled "Computation of Assets of Certain Funds," the amounts held in the appropriate accounts in the Applicable Debt Service Fund and the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Applicable Series and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds be redeemable, the Trustee will so notify the Authority and the Applicable Institution(s). Upon receipt of such notice, the Authority may request the Trustee to redeem all such Outstanding Bonds unless the Applicable Institution objects in writing within five (5) Business Days. The Trustee will, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds hereby and by the Applicable Series Resolution as provided in the Resolution.

(Section 5.09)

Computation of Assets of Certain Funds

The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority, (iii) upon the request of an Applicable Institution, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to the Resolution, will compute the value of the assets in the Applicable Debt Service Reserve Fund, in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority and the Applicable Institution as to the results of such computation and the amount by which the value of the assets in the Applicable Debt Service Reserve Fund exceeds or is less than the Applicable Reserve Fund Requirement.

(Section 5.11)

Investment of Funds Held by the Trustee

Money held under the Resolution by the Trustee in an Applicable Debt Service Fund, Applicable Construction Fund, Applicable Debt Service Reserve Fund and Applicable Arbitrage Rebate Fund, if permitted by law, will, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, (which direction will specify the amount thereof to be so invested), in Government Obligations, deposits fully insured by the Federal Deposit Insurance Corporation or Exempt Obligations.

In lieu of the investment of moneys in obligations authorized in this Section, the Trustee will, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, invest moneys in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation; or (ii) Investment Agreements; provided that (w) each such investment will permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, (x) all moneys in each such interest-bearing time deposit, certificate of deposit or other similar

investment arrangement will be continuously and fully secured by ownership of or a security interest in Government Obligations of a market value determined by the Trustee or its agent that is at least equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement will be deposited with and held by the Trustee or an agent of the Trustee approved by the Authority, and (z) the Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangements will be free and clear of claims of any other person.

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

In computing the amount in any fund held by the Trustee under the provisions of the Resolution, obligations purchased as an investment of moneys therein or held therein will be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in a Debt Service Reserve Fund will be valued at the market value thereof, plus accrued interest and except that Investment Agreements will be valued at original cost, plus accrued interest.

The Authority, in its discretion, may direct the Trustee to, and the Trustee will, sell, or present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee will sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it will be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Trustee will advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of this Section. The details of such investments will include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee will also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

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

(Section 6.02)

Enforcement of Duties and Obligations of the Institution

The Authority will take all legally available action to cause an Institution to perform fully all duties and acts and comply fully with the covenants of such Institution required by the Applicable Loan Agreement in the manner and at the times provided in such Loan Agreement; provided, however, that the Authority may delay, defer or waive enforcement of one or more provisions of said Loan Agreement (other than provisions requiring the payment of moneys or the delivery of Securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of an Applicable Series.

(Section 7.06)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds of an Applicable Series to be deposited in the Applicable Construction Fund, any moneys paid or letter of credit or other security payable to the Authority for the acquisition, construction, reconstruction, renovation or equipment of an Applicable Project(s) and any moneys received in respect of damage to or condemnation of such Project(s) will be deposited in the Applicable Construction Fund.

(Section 7.07)

Amendment of Loan Agreements and Master Indenture

The Authority may not amend, change, modify, alter or terminate a Loan Agreement or consent to the amendment, change, modification, alteration or termination of the Master Indenture, in either case so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by an Institution under its Applicable Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof or reduce the amount of any payment required to be made under the Obligations held by the Authority. Notwithstanding any provision under this caption "Amendment of Loan Agreements and Master Indenture" to the contrary, the Authority may consent to the waiver, amendment or removal of any covenant or provision which, pursuant to the Master Indenture, may be waived by the Authority without the consent of the Holders of the Bonds or the Trustee. A Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping, of any facilities constituting a part of the Projects or which may be added to or adjacent to the Projects or the issuance of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in a Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Notwithstanding anything in this Section to the contrary, if a Loan Agreement or the Master Indenture expressly provides for the consent of any other person or entity to an amendment to such Loan Agreement or the Master Indenture, such consent shall be required to be obtained as provided in the Loan Agreement or the Master Indenture. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of this Section, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of an Applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on an Applicable Institution, the Authority and all Holders of Bonds.

For all purposes of this Section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

(Section 7.10)

Notice as to Event of Default Under Loan Agreement

The Authority will notify the Applicable Trustee and any Applicable Credit Facility Issuer in writing that an "Event of Default" under a Loan Agreement, as such term is defined in such Loan Agreement, has occurred and is continuing, which notice will be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Tax Exemption: Rebates

Except as otherwise provided in a Series Resolution, in order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Applicable Series, the Authority will comply with the provisions of the Code applicable to the Bonds of each Applicable Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds

of each Applicable Series of Bonds, reporting of earnings on the Gross Proceeds of each Applicable Series of Bonds and rebates of Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the Authority will comply with the letter of instructions as to compliance with the Code with respect to each such Series of Bonds, to be delivered by Bond Counsel at the time the Bonds of an Applicable Series are issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority will not take any action or fail to take any action, which would cause the Bonds of an Applicable Series to be "arbitrage bonds" within the meaning or Section 148(a) of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority's failure to comply with the provisions of the Code applicable to the Bonds of an Applicable Series will not entitle the Holder of Bonds of any other Applicable Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority's failure to comply with the provisions of the Resolution or of the Code.

(Section 7.12)

Modification and Amendment Without Consent

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

(a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds of an Applicable Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

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

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

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution or Applicable Supplemental Resolution in any other respect, provided that such modification will not adversely affect the interests of the Holders of Bonds of an Applicable Series in any material respect.

(Section 9.02)

Applicable Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the Resolution and an Applicable Series Resolution may also be modified or amended at any time or from time to time by an Applicable Supplemental Resolution, subject to the consent of the Applicable Bondholders in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority.

(Section 9.03)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority which will be deemed to affect an Applicable Series of Bonds and of the Holders of the Bonds of such Applicable Series under the Resolution, in any particular, may be made by an Applicable Supplemental Resolution, with the written consent given as hereinafter provided in the section of the Resolution entitled "Consent of Bondholders," (i) of the Holders of at least two-thirds (2/3) in principal amount of the Bonds Outstanding of an Applicable Series at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds (2/3) in principal amount of the Bonds of the Applicable Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any Applicable Series and maturity remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Resolution. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of an Applicable Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or will reduce the percentages or otherwise affect the classes of Bonds of an Applicable Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, an Applicable Series will be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of an Applicable Series or maturity would be affected by any modification or amendment of the Resolution and any such determination will be binding and conclusive on the Authority and all Holders of Bonds of an Applicable Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of an Applicable Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds of an Applicable Series under the Resolution may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of such Supplemental Resolution certified by the Authority and the consent of the Holders of all of the Bonds then Outstanding of the Applicable Series, such consent to be given as provided in the Resolution, except that no notice to such Bondholders either by mailing or publication will be required.

(Section 10.03)

Events of Default

An event of default will exist under the Resolution and under an Applicable Series Resolution (herein called "event of default") if:

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

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

(c) With respect to the Applicable Series of Bonds, the Authority will default in the due and punctual performance of the covenants contained in the "Tax Exemption: Rebates" section of the Resolution and, as a result thereof, the interest on the Bonds of such Series will no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to the Applicable Series of Bonds, the Authority will default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable Series Resolution on the part of the Authority to be performed and such default will continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied will have been given to the Authority by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series; or

(e) The Authority will have notified the Trustee that an "Event of Default", as defined in the Applicable Loan Agreement, arising out of or resulting from the failure of the Institution to comply with the requirements of the Applicable Loan Agreement will have occurred and be continuing and all sums payable by the Institution under the Applicable Loan Agreement will have been declared to be immediately due and payable, which declaration will not have been annulled.

An event of default under the Resolution in respect of an Applicable Series of Bonds will not in and of itself be or constitute an event of default in respect of any other Applicable Series of Bonds.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the above caption "Events of Default," other than an event of default specified in paragraph (c) in the above caption "Events of Default," then and in every such case the Trustee may, and, upon the written request of (i) the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of an Applicable Series of Outstanding Bonds, with the prior written consent of the Applicable Credit Facility Issuers, if any, or (ii) if one or more Applicable Credit Facility Issuers, if any, have deposited with the Trustee a sum sufficient to pay the principal of and interest on the Applicable Outstanding Bonds due upon the acceleration thereof, upon the request of the Credit Facility Issuer, if any, or Credit Facility Issuers, if any, making such deposit, will: (A) by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds to be due and payable immediately and (B) request that the Master Trustee declare all applicable Outstanding Obligations (as defined in the Master Indenture) to be immediately due and payable. At the expiration of thirty (30) days after the giving of notice of such declaration, such principal and interest will become and be immediately due and payable, anything in the Resolution or in any Series Resolution or in the Bonds to the contrary notwithstanding. In the event that a Credit Facility Issuer will make any payments of principal of or interest on any Bonds pursuant to a Credit Facility and the Bonds are accelerated, such Credit Facility Issuer may at any time and at its sole option, pay to the Bondholders all or such portion of amounts due under such Bonds prior to the stated maturity dates thereof. At any time after the principal of the Bonds will have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee will, with the written consent of the Credit Facility Issuers, if any, which have issued Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Bonds not then due by their terms and then Outstanding, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, with the written consent of the Applicable Credit Facility Issuers, if any, and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys will have accumulated in the Applicable Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Applicable Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys will have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the Applicable

Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this Section) will have been paid or a sum sufficient to pay the same will have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) will have been remedied to the satisfaction of the Trustee. No such annulment will extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Applicable Credit Facility Issuers, if any, which have issued Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds with the consent of the Credit Facility Issuers, if any, or, in the case of a happening and continuance of an event of default specified in paragraph (c) of the above caption "Events of Default," upon the written request of the Applicable Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby with the consent of the Applicable Credit Facility Issuer, if any, of such Series of Bonds, will proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider, if any, under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under the Applicable Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee will deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under the Applicable Series Resolution, the Trustee will be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Series Resolution or of the Applicable Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in any Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Priority of Payments After Default

If at any time the moneys held by the Trustee in the Applicable funds and accounts and under the Applicable Series Resolution will not be sufficient to pay the principal of and interest on the Bonds of the Applicable Series as the same become due and payable (either by their terms or by acceleration of maturity under the provisions of the Resolution), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, will be applied (after payment of all amounts owing to the Trustee under the Resolution) as follows:

(a) Unless the principal of all the Bonds of the Applicable Series will have become or been declared due and payable, all such moneys will be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of such maturity of the installments of such interest, and, if the amount available will not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination

or preference except as to the difference in the respective rates of interest specified in such Bonds; or

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which will have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available will not be sufficient to pay in full all of such Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds of the Applicable Series will have become or been declared due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in said Bonds.

The provisions of this Section are in all respects subject to the other provisions of the Resolution.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys will be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose will constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the Authority, to any Holder of Bonds of any Applicable Series or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee will exercise such discretion in applying such moneys, it will fix the date (which will be on an interest payment date unless the Trustee will deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the fixing of any such date.

(Section 11.05)

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the consent of the Applicable Credit Facility Issuers, if any, or, in the case of an event of default specified in paragraph (c) of the above caption "Events of Default," the Holders of a majority in principal amount of the Outstanding Bonds of the Applicable Series with the consent of the Applicable Credit Facility Issuers, if any, will have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under the Applicable Series Resolution, provided, such direction will not be otherwise than in accordance with law or the provisions of the Resolution and of the Applicable Series Resolution, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Bondholders

No Holder nor the Credit Facility Issuer of a Credit Facility of any of the Bonds of an Applicable Series will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Applicable Series Resolution, or for any other remedy under the Resolution unless such Holder or Credit Facility Issuer previously will have given to the Trustee written notice of the event of default on

account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the Consent of the Applicable Credit Facility Issuer or, in the case of an event of default specified in paragraph (c) of the above caption "Events of Default," the Holders of not less than a majority in principal amount of the Outstanding Bonds of such Series with the consent of the Applicable Credit Facility Issuer, will have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, will have accrued, and will have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also there will have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee will have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and thereunder. It is understood and intended that no one (1) or more of the Credit Facility Issuers of an Applicable Series secured by the Resolution and by an Applicable Series Resolution will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity will be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of an Applicable Series will have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right will not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

If the Authority will pay or cause to be paid to the Holders of the Bonds of an Applicable Series the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bonds Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted by the Resolution to such Series of Bonds will be discharged and satisfied, and the right, title and interest of the Applicable Trustee in the Applicable Loan Agreement(s), and the Revenues will thereupon cease with respect to such Series of Bonds. Upon such payment or provision for payment, the Applicable Trustee, on demand of the Authority, will release the lien of the Resolution and Applicable Series Resolution but only with respect to such Applicable Series, except as it covers moneys and securities provided for the payment of such Bonds, and will execute such documents to evidence such release as may be reasonably required by the Authority and the Institution(s) and will turn over to the Institution(s) or such person, body or authority as may be entitled to receive the same, upon such indemnification, if any, as the Authority or the Applicable Trustee may reasonably require, all balances remaining in any funds held under the Applicable Series Resolution after paying or making proper provision for the payment of the principal or Redemption Price (as the case may be) of, and interest on, all Bonds of the Applicable Series and payment of expenses in connection therewith; provided that if any, of such Bonds are to be redeemed prior to the maturity thereof, the Authority will have taken all action necessary to redeem such Bonds and notice of such redemption will have been duly mailed in accordance with the Resolution and the Applicable Series Resolution or irrevocable instructions to mail such notice will have been given to the Applicable Trustee.

Bonds of an Applicable Series for which moneys will have been set aside, will be held in trust by the Trustee for the payment or redemption thereof, (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in this Section. All Outstanding Bonds of an Applicable Series or any maturity within such Series or a portion of a maturity within such Series will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority will have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail, as provided in the Resolution, notice of redemption on said date of such Bonds, (b) there will have been deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities, which obligations are not subject to redemption prior to maturity other than at the option of the holder or which have been irrevocably called for redemption on a stated future date, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee

at the same time, will be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of an Applicable Series on and prior to the redemption date or maturity date thereof, as the case may be, (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority will have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the holders of said Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority will give written notice to the Trustee of its selection of the maturity for which payment will be made in accordance with this Section. The Trustee will select which Bonds of such Series and which maturity thereof will be paid in accordance with the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, be reinvested in the Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, will, to the extent certified by the Trustee to be in excess of the amount required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Applicable Loan Agreement(s) for fees and expenses of the Authority or pursuant to any indemnity; and, then, as directed by the Authority and any such moneys so paid by the Trustee will be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by such Loan Agreement(s).

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of an Applicable Series which remain unclaimed for three (3) years after the date when such moneys become due and payable, upon such Bonds either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, will at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent will thereupon be released and discharged with respect thereto and the Holders of Bonds of such Series will look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date will be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

No principal or Sinking Fund Installment of or installment of interest on a Bond will be considered to have been paid, and the obligation of the Authority for the payment thereof will continue, notwithstanding that a Credit Facility Issuer, if any, pursuant to the Credit Facility issued with respect to such Bond has paid the principal or Sinking Fund Installment thereof or the installment of interest thereon.

Prior to any defeasance becoming effective under the Resolution, each Applicable Credit Facility Issuer will have received (a) the final official statement delivered in connection with the refunding of Bonds, if any, (b) a copy of the accountants' verification report, (c) a copy of the escrow deposit agreement or letter of instructions in form and substance acceptable to such Credit Facility Issuer, and (d) a copy of an opinion of Bond Counsel, dated the date of defeasance and addressed to such Credit Facility Issuer, to the effect that such Bonds have been paid within the meaning and with the effect expressed in the Resolution and the Series Resolution, and that the covenants, agreements and other obligations of the Authority to the Holders of such Bonds have been discharged and satisfied.

(Section 12.01)

Appendix E-1

Summary of Certain Provisions of the Master Indenture

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APPENDIX E-1

CERTAIN PROVISIONS OF THE MASTER INDENTURE

The following are definitions of certain words and terms used in the Master Indenture and used in this Official Statement, and excerpts of certain provisions of the Master Indenture. The following should not be regarded as a full statement of the Master Indenture. Reference is made to the Master Indenture in its entirety for a full and complete statement of the provisions thereof, a copy of which is on file with the Trustee.

DEFINITIONS USED IN THE MASTER INDENTURE

"Additional Indebtedness" means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of the initial Obligations under this Master Indenture or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group.

"Affiliate" means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by a Member or the Obligated Group Representative or their respective successors or assigns or by any Person which directly or indirectly controls a Member or the Obligated Group Representative. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

"Affiliated School" shall mean the New York University School of Medicine.

"Audited Financial Statements" means, as to a Member of the Obligated Group, financial statements for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants. Audited Financial Statements of the Obligated Group shall also consist of, in an additional information section, unaudited combining financial statements for the same twelve-month period from which the accounts of any Affiliate which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not already included have been added.

"Authority" means the Dormitory Authority of the State of New York and any successor thereto.

"Authorized Representative" shall mean, with respect to the Obligated Group Representative, the Chairperson of its Governing Body or its chief executive officer, senior vice president for finance or its chief financial officer, and, with respect to each Member of the Obligated Group, the Chairperson of its Governing Body or its president's chief executive officer, senior vice president for finance, chief financial officer or any other person or persons designated an Authorized Representative of such Member by an Officer's Certificate of the Obligated Group Representative or such Member of the Obligated Group, respectively, signed by the Chairperson of its Governing Body or its presidents or its chief executive officer or chief financial officer and filed with the Master Trustee.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness other than a Demand Obligation 25% or more of the principal amount of which is due in a single year, which portion of the

principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

"Book Value" when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

"Capital Addition" means any addition, improvement or extraordinary repair to or replacement of any Property of a Member of the Obligated Group, whether real, personal or mixed, the cost of which is properly capitalized under generally accepted accounting principles.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consultant" means a firm or firms, selected by the Obligated Group Representative, which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant or other financial institution of national repute for having the skill and experience necessary to render the particular report required by the provision hereof in which such requirement appears and which is not unacceptable to the Master Trustee.

"Credit Facility" means a financial guaranty insurance policy, line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility established in connection with the issuance of Indebtedness to provide credit or liquidity support for such Indebtedness.

"Credit Facility Issuer" means the firm, association, corporation or other Person, if any, which has issued a Credit Facility that provides credit or liquidity support with respect to Indebtedness or Related Bonds.

"Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the last date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

"Cross-over Refunded Indebtedness" means Indebtedness refunded by Cross-over Refunding Indebtedness.

"Cross-over Refunding Indebtedness" means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such refunding Indebtedness or refunded Indebtedness until the Cross-over Date.

"Defeasance Securities" has the meaning ascribed to such term in the applicable Related Bond Indenture.

"Defeased Obligations" means Obligations issued under a Supplement that has been discharged, or provision for the discharge of which has been made, pursuant to the terms of such Supplement.

"Demand Obligation" means any Indebtedness the payment of all or a portion of which is subject to the demand of the holder thereof.

"Derivative Agreement" means, without limitation,

(a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract;

(b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices;

(c) any contract to exchange cash flows or payments or series of payments;

(d) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and

(e) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, or minimize investment risk or to protect against any type of financial risk or uncertainty.

"Derivative Period" means the period during which a Derivative Agreement is in effect.

"Escrowed Interest" means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Securities have been deposited in escrow (the "Escrowed Interest Deposit") which Escrowed Interest Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Interest.

"Escrowed Principal" means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Securities have been deposited in escrow (the "Escrowed Principal Deposit") which Escrowed Principal Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Principal.

"Event of Default" means any one or more of those events set forth in Section 4.01 of this Master Indenture.

"Excluded Property" means any real Property that is not Health Care Facilities of the Obligated Group.

"Fiscal Year" means the fiscal year of NYUHC, which shall be the period commencing on January 1 of any year and ending on December 31 of such year unless the Master Trustee is notified in writing by NYUHC of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice; provided, however that for purposes of making historical calculation determinations set forth in the Master Indenture on a Fiscal Year basis, or for purposes of combinations or consolidation of accounting information, with respect to those Members whose actual fiscal year is different from

December 31, the actual fiscal year of such Members which ended within the Fiscal Year of NYUHC shall be used.

"Fitch" means Fitch Inc., its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

"Governing Body" means, when used with respect to any Member of the Obligated Group and the Obligated Group Representative, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group or the Obligated Group Representative are exercised.

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

"Governmental Restrictions" means federal, state or other applicable governmental laws or regulations, affecting any Member of the Obligated Group and its health care facilities including but not limited to (a) Articles 28 and 28-B of the Public Health Law, and (b) those placing restrictions and limitations on the (i) fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such fees or charges.

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

insurance proceeds relating to assets subject to a capital lease permitted under the Master Indenture or subject to an operating lease as to which any Member of the Obligated Group is the lessee.

"Gross Receipts Revenue Fund" means the fund established pursuant to Section 4.03 hereof.

"Guaranty" means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness hereunder. For the purposes of this Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group shall have executed and delivered its Guaranty shall, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, be deemed to be equal to 20% of the amount which would be payable as principal of and interest on the indebtedness for which a Guaranty shall have been issued during the Fiscal Year for which any computation is being made (calculated in the same manner as the Long-Term Debt Service Coverage Ratio), provided that if there shall have occurred a payment by a Member of the Obligated Group on such Guaranty, then, during the period commencing on the date of such payment and ending on the day which is one year after such other Person resumes making all payments on such guaranteed obligation, 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account. Any Guaranty that is an obligation of more than one Member of the Obligated Group shall be counted only once for purposes of any test herein.

"Health Care Facilities" means the Property now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance and treatment of patients or to otherwise provide health care and health-related services. Any facility whose primary function or functions is other than providing health care services and which has incidental health care services provided on its premises, shall not be deemed to be Health Care Facilities.

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

"Income Available for Debt Service" means, with respect to the Obligated Group, as to any period of 12 consecutive calendar months, its excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness minus any transfers to the Affiliated School, as determined in accordance with generally accepted accounting principles consistently applied; provided, however, that (1) no determination thereof shall take into account (a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (b) unrealized gains and losses on investments of a Member of the Obligated Group or (c) losses resulting from any reappraisal, revaluation or write-down of assets for such period, and (2) revenues shall not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest to the extent that such earnings are applied to the payment of principal or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement or Related Bonds secured by such Long-Term Indebtedness.

"Indebtedness" means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group or obligations to the Affiliated School which are conditional upon the availability of funds.

"Insurance Consultant" means a firm or Person which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations and which is selected by the Obligated Group Representative and is not unacceptable to the Master Trustee; provided that, except with respect to the review of self-insurance programs or any captive insurance company, the term "Insurance Consultant" shall include qualified in house risk management officers employed by any Member of the Obligated Group or an Affiliate.

"Lien" means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

"Long-Term Debt Service Coverage Ratio" means for any period of time the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated at least "A" by Moody's, Fitch or S&P, or insured by an insurance policy issued by any insurance company rated at least "A" by Alfred M. Best Company or its successors in Best's Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan or reimbursement agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan or reimbursement agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above;

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility shall not be included in the Long-Term Debt Service Requirement;

(iv) with respect to any guaranties, in accordance with the Definition of "Guaranty" in Section 1.01 hereof;

(v) with respect to Indebtedness for which a Member of the Obligated Group shall have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness (as evidenced by a certificate filed with the Master Trustee so specifying that the Derivative Agreement relates to all or a portion of such Indebtedness, which certification may be provided at the time of or after the issuance of such Indebtedness), the principal or notional amount of such Derivative Agreement shall be disregarded, and interest on such Indebtedness during any Derivative Period and for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such underlying Indebtedness pursuant to its terms (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued), and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement), and subtracting (z) the amount of interest payable to the Member of the Obligated Group by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement); *provided, however*, that to the extent that the counterparty of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed;

(vi) with respect to a Derivative Agreement that has not been certified as relating to underlying Indebtedness which has been entered into by any Member of the Obligated Group and which is secured by an Obligation, the principal or notional amount of such Derivative Agreement shall be disregarded (for so long as the Member of the Obligated Group is not required to make any payment other than interest payments thereon) and interest on such Derivative Agreement during any Derivative Period, for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder, shall be calculated by taking (y) the amount of interest payable by such Member of the Obligated Group at the rate specified in the Derivative Agreement and subtracting (z) the amount of interest payable by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement; and

(vii) notwithstanding anything herein to the contrary, any so-called mark to market charge or credit attributable to any Derivative Agreement under Statement of Financial Accounting Standards No. 133 or otherwise shall be excluded from calculation of the revenues and expenses, in each case, of each Member of the Obligated Group and all related definitions and financial covenants herein for all purposes of this Indenture. Furthermore, notwithstanding anything else herein to the contrary, any portion of any Indebtedness of any Member for which an Derivative Agreement has been obtained by such Member shall be deemed to bear interest for the period of time that such Derivative Agreement is in effect at a net rate which takes into account

the interest payments made by such Member on such Indebtedness and the payments made or received by such Member on such Derivative Agreement; provided that the long-term credit rating of the provider of such Derivative Agreement (or any guarantor thereof) is in one of the three highest rating categories of any rating agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise). In addition, so long as any Indebtedness is deemed to bear interest at such net rate taking into account an Derivative Agreement, any payments made by a Member on such Derivative Agreement shall be excluded from expenses and any payments received by a Member on such Derivative Agreement shall be excluded from revenues, in each case, for all purposes of this Indenture.

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement; provided, further, however, that in connection with the calculation of "Long-Term Debt Service Requirement", in no event shall any payments to be made in respect of principal and/or interest on any Outstanding Long-Term Indebtedness of the Obligated Group during such period be counted more than once.

"Long-Term Indebtedness" means all Indebtedness (other than Indebtedness for which the timely payment of the principal of and interest on which has been provided for from the deposit of Defeasance Securities) having a maturity longer than one year incurred or assumed by any Member of the Obligated Group, including without duplication:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(iii) installment sale or conditional sale contracts having an original term in excess of one year;

(iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and

(v) the current portion of Long-Term Indebtedness.

"Master Indenture" means this Master Trust Indenture, dated as of June 28, 2006, including any amendments or supplements hereto.

"Master Trustee" means The Bank of New York, New York and its successors in the trusts created under this Master Indenture.

"Maximum Annual Debt Service" means the highest Long-Term Debt Service Requirement for the current or any succeeding Fiscal Year.

"Member of the Obligated Group" or "Member" means NYUHC and any other Person becoming a Member of the Obligated Group pursuant to Section 3.11 hereof.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

"Mortgage" means (i) the mortgage heretofore granted by NYUHC to the Authority and assigned to the Master Trustee to secure the obligations of NYUHC to the Master Trustee with respect to the initial Obligations and all such other Obligations as may be issued from time to time in accordance with the provisions of this Master Indenture, and (ii) any other mortgage encumbering additional property added as collateral for Obligations granted by any Member of the Obligated Group to secure all Obligations issued pursuant to this Master Indenture.

"Mortgaged Property" means any and all Property, whether real, personal or mixed, and all rights and interests in and to the Property, which is subject to the liens and security interests created under a Mortgage.

"Non-Recourse Indebtedness" means any Indebtedness incurred to finance the purchase of Property secured exclusively by a Lien on such Property or the revenues or net revenues produced by such Property or both, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

"Obligated Group" means, collectively, the Members of the Obligated Group.

"Obligated Group Representative" shall mean NYUHC or its successor.

"Obligation" means the evidence of particular Indebtedness issued under this Master Indenture as a joint and several obligation of each Member of the Obligated Group. "Obligation" may also include the evidence of a particular obligation of each Member of the Obligated Group under a Derivative Agreement.

"Officer's Certificate" means a certificate signed by the Authorized Representative of such Member of the Obligated Group or the Obligated Group Representative as the context requires. Each Officer's Certificate presented pursuant to this Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, this Master Indenture. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Operating Assets" means any or all land, leasehold interests, buildings, machinery, equipment, hardware, inventory and other tangible and intangible Property owned or operated by a Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Master Trustee and each Related Bond Issuer.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for the Obligated Group Representative or any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

"Other Swap Payments" shall have the meaning given in 0 hereof.

"Outstanding" means, as of any date of determination, (i) when used with reference to Obligations, all Obligations theretofore issued or incurred and not paid and discharged, other than (A) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (B) Defeased Obligations and (C) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser, and (ii) when used with reference to Indebtedness other than Indebtedness evidenced by an Obligation, all Indebtedness theretofore issued or incurred and not paid and discharged, other than Indebtedness deemed paid and no longer outstanding under the documents pursuant to which such Indebtedness was incurred; *provided, however*, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under this Master Indenture, Obligations or Related Bonds that are owned by the Obligated Group Representative or any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member or the Obligated Group Representative shall be deemed not to be Outstanding, *provided further, however*, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent, or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding.

"Permitted Liens" shall have the meaning given in 0 hereof.

"Permitted Sale Leaseback" shall have the meaning given in Section 3.14 hereof.

"Person" means an individual, association, unincorporated organization, limited liability company, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Projected Period" means (i) in the case of Indebtedness incurred to finance a Capital Addition or any repair to Operating Assets, each of the two full Fiscal Years following the date such Capital Addition or repair is estimated to be installed or completed and (ii) in the case of Indebtedness incurred for any other purpose, each of the two full Fiscal Years following the date such Indebtedness is proposed to be incurred.

"Property" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

"Property, Plant and Equipment" means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

"Regularly Scheduled Swap Payments" shall have the meaning given in 0 hereof.

"Related Bond Indenture" means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Issuer" means the issuer of any issue of Related Bonds.

"Related Bonds" means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof (i.e. a "Related Bond Issuer") ("governmental issuer"), pursuant to a Related Bond Indenture, the proceeds of which are loaned or otherwise made available to the Obligated Group Representative or a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer.

"Related Bond Trustee" means the trustee and its successors in the trusts created under any Related Bond Indenture.

"Related Credit Facility Issuer" means the Credit Facility Issuer with respect to any issue of Related Bonds.

"Related Loan Agreement" means any loan agreement, lease agreement or any similar instrument relating to the loan of proceeds of Related Bonds to a Member of the Obligated Group.

"S/L Certificate" shall have the meaning given in Section 3.14 hereof.

"S/L Counterparty" shall have the meaning given in Section 3.14 hereof.

"S/L Master Trustee Documents" shall have the meaning given in Section 3.14 hereof.

"S/L Parcel" shall have the meaning given in Section 3.14 hereof.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

"Short-Term Indebtedness" means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group, excluding trade debt incurred in the ordinary course of business but including:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;

(ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(iii) installment purchase or conditional sale contracts having an original term of one year or less.

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

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

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code, and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Total Operating Revenues" means, with respect to the Obligated Group, as to any period of time, total operating revenues less all deductions from revenues, as determined in accordance with generally accepted accounting principles consistently applied.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

INDEBTEDNESS, ISSUANCE AND TERMS OF OBLIGATIONS

Section 2.01 Amount of Indebtedness. Subject to the terms, limitations and conditions established in this Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations hereunder or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created hereunder are not limited, except as limited by the provisions hereof, including Section 3.06, or of any Supplement. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation issued hereunder.

Section 2.07 Issuance of Obligations in Forms Other than Notes. Obligations may be issued hereunder in a form other than a promissory note to evidence any type of Indebtedness or Derivative Agreement that itself is in a form other than a promissory note including without limitation, deeming such Indebtedness or Derivative Agreement or certain payments due thereunder to be an Obligation. Consequently, the Related Supplement pursuant to which any Obligation is issued may provide for such supplements or amendments to the provisions hereof as are necessary or appropriate to permit the issuance of such Obligation hereunder and as are not inconsistent with the intent hereof that all Obligations issued hereunder be equally and ratably secured by the lien on the trust estate created hereunder except to the extent that an Obligation provides for subordination of some or all of the payment obligations thereunder and/or subordination of security therefor. Any Derivative Agreement (or any particular payments thereunder) which is or are authenticated as an Obligation under this Master Indenture shall be equally and ratably secured by any lien created under this Master Indenture with all other Obligations except as otherwise provided in this Master Indenture; provided, however, that any such Obligation shall be deemed outstanding under this Master Indenture solely for the purpose of receiving payment under this Master Indenture and shall not be entitled to exercise any rights under this Master Indenture, including without limitation the right to vote or control remedies, and any Obligation issued to secure any Derivative Agreement shall not be deemed to be Outstanding for any purpose under Article VI, other than the right to receive payment of amounts due thereunder equally and ratably with all other Obligations.

PARTICULAR COVENANTS OF THE OBLIGATED GROUP

3.01 Security; Restrictions on Encumbering Property; Payment of Principal and Interest. (a) Any Obligation issued pursuant to this Master Indenture shall be a general obligation of each Member of the Obligated Group. To secure, among other things, the prompt payment of the principal of, redemption premium, if any, and the interest on all Obligations issued from time to time under the Master Indenture, and the performance by the Member of the Obligated Group of its other obligations hereunder and under the Master Indenture, the Mortgage heretofore granted to the Authority by the Member of the Obligated Group has been assigned to the Master Trustee. In addition, each Member of the Obligated Group shall grant to the Master Trustee a Mortgage on all Health Care Facilities owned by such Member that are either: (i) financed or refinanced with the proceeds of Indebtedness secured by an Obligation issued under the Master Indenture; or (ii) owned by a new Member of the Obligated Group at the time of such admission, subject to any liens or security interests permitted to remain outstanding under Section 3.11(e) of the Master Indenture, and each Member of the Obligated Group hereby pledges, assigns and grants to the Master Trustee a security interest in its Gross Receipts. Upon receipt, all such security shall be held in trust for the holders from time to time of all Obligations issued and Outstanding hereunder, without preference or priority of any one Obligation over any other Obligation.

If any Event of Default under subsections (a), (d), (e) or (f) of Section 4.01 hereof shall have occurred, any Gross Receipts then on deposit in any fund or account of a Member of the Obligated Group (unless such account has been pledged as security as permitted in this Master Indenture), and any Gross Receipts thereafter received, shall immediately, upon receipt, be transferred into the Gross Receipts Revenue Fund established pursuant to Section 4.03 hereof. Upon receipt, all such Gross Receipts shall be held by the Master Trustee in trust for the Holders from time to time of all Obligations issued and Outstanding hereunder, without preference or priority of any one Obligation over any other Obligation. Prior to its receipt of a request from the Master Trustee pursuant to Section 4.03(c) of this Master Indenture, any Member of the Obligated Group may transfer, or pledge as security, all or any part of its Gross Receipts free of such security interest, as permitted pursuant to the provisions of this Master Indenture. In the event of such transfer or pledge, upon the request of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so transferred.

In addition to the preceding paragraph, upon an Event of Default under subsections (a), (d), (e) or (f) of Section 4.01 hereof, the Members of the Obligated Group hereby agree to take no action inconsistent with the pledge, assignment and deposit of Gross Receipts contemplated hereby, and to cooperate in all respects to assure the deposit of such Gross Receipts in the Gross Receipts Revenue Fund.

With respect to all Obligations issued, executed and delivered under this Master Indenture, there shall be delivered to the Master Trustee financing statements evidencing the security interests of the Master Trustee in the Gross Receipts of the Members of the Obligated Group in the form required by the New York Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State of the State of New York.

Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to this Master Indenture as may be necessary or appropriate to include as security hereunder the Gross Receipts. In addition, each Member of the Obligated Group covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to Section 3.11 of this Master Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to Section 3.12 of this Master Indenture. In particular, each Member of the Obligated

Group covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to continue the security interest created hereunder pursuant to applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any such financing statement, the Master Trustee shall prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interest in Gross Receipts shall remain perfected.

(b) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in (except for Permitted Liens as set forth in Section 3.05 hereof) any of its Property.

(c) Each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to this Master Indenture at the place, on the dates and in the manner provided in this Master Indenture and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(d) Each Member of the Obligated Group covenants that, if an Event of Default shall have occurred and be continuing, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured, such Gross Receipts to be applied in accordance with Sections 4.03 and 4.04 of this Master Indenture.

Section 3.02 Covenants as to Corporate Existence, Maintenance of Properties, Etc. Each Member of the Obligated Group hereby covenants:

(a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence and all its material rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) At all times to cause its Property in all material respects to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof (including, but not limited to, the Public Health Law of the State of New York for as long as there are Related Bonds of the Authority or its predecessors outstanding) and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties;

provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding hereunder) whose validity, amount or collectibility is being contested in good faith.

(f) At all times to comply in all material respects with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its health care facilities (if any, and other than those of a type for which accreditation is not available) by the Joint Commission on Accreditation of Healthcare Organizations or other applicable recognized accrediting body; provided, however, that it need not comply with this Section 3.02(g) if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) So long as this Master Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it shall not take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any Related Bonds becoming included in the gross income of the holder thereof for federal income tax purposes.

Section 3.03 Insurance. Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate) covering such risks in such amounts and with such deductibles and co-insurance provisions as, in the judgment of its Governing Body, are adequate to protect it and its Property and operations.

The Obligated Group Representative shall engage an Insurance Consultant to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially). If the Insurance Consultant makes recommendations for the increase of any coverage, the applicable Member of the Obligated Group shall increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of such Member that such recommendations, in whole or in part, are in the best interests of the Obligated Group. If the Insurance Consultant makes recommendations for the decrease or elimination of any coverage, the Member of the Obligated Group may decrease or eliminate such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in this Section to the contrary, each Member of the

Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group Representative furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually.

Section 3.04 Insurance and Condemnation Proceeds. (a) Unless otherwise provided in the Mortgages, amounts that do not exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

(b) Unless otherwise provided in the Mortgages, amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities shall be applied to repair or replace the Property (either Property serving the same function or other Property that, in the judgment of the Governing Body, is of equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of any pertinent Supplement; *provided, however*, such amounts may be used in such manner as the recipient may determine, if the recipient notifies the Master Trustee and within 12 months after the casualty loss or taking, delivers to the Master Trustee:

> (i) (A) An Officer's Certificate of the Obligated Group Representative certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in paragraph (i) of this Section 3.04(b) to be not less than 1.20, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level; and an Officer's Certificate of the Obligated Group Representative certifying that the recipient will use such proceeds in accordance with the recommendations contained in the Consultant's report.

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law and any Mortgage, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii), of this Section.

Section 3.05 Limitations on Creation of Liens. (a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 180 days; and (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof.

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under this Master Indenture, which is set forth on Schedule A

attached hereto, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(vi) Any Liens of a new Member or a successor to an existing Member that is permitted to remain outstanding after such new Member or successor becomes a Member of the Obligated Group pursuant to Sections 3.09(e) or 3.11(e) hereof;

(vii) Any Lien securing Non-Recourse Indebtedness permitted by Section 3.06(d) hereof;

(viii) Any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of Section 3.06 hereof, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations hereof on creation of Liens on Property of the Obligated Group;

(ix) So long as no Event of Default exists under this Master Indenture, any Lien on accounts receivable and the proceeds from the sale thereof securing Indebtedness or Derivative Agreements, which conforms to the limitations contained in Section 3.06;

(x) Any Lien on Property (including moveable equipment) that secures Indebtedness or Derivative Agreements that conforms to the limitations contained in Section 3.06, and that does not exceed in aggregate 20% of Total Operating Revenue as reflected in the most recent Audited Financial Statements;

(xi) Any Lien on Equipment used at a Health Care Facility provided the Indebtedness secured by such Lien was incurred in accordance with Section 3.06 hereof;

(xii) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings; banker's liens or rights of setoff; or liens securing standby letters of credit or other liquidity or credit enhancement that provides liquidity or credit enhancement for Indebtedness otherwise permitted hereunder;

(xiii) Any Liens on the proceeds of insurance insuring assets that are subject to a lease from a third party owner or lessor of such assets;

(xiv) Any Lien in favor of a trustee or other agent on the proceeds of Indebtedness and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding or defeasing Indebtedness;

(xv) Any Lien securing all Obligations on a parity basis, including the Lien created by this Master Indenture on Gross Receipts securing all Obligations and by a Mortgage;

(xvi) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xvii) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xviii) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group; and

(xix) Any Lien on Excluded Property.

Section 3.06 Limitations on Indebtedness. Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if such Indebtedness could not be incurred pursuant to any one of subsections (a) to (g) inclusive, of this Section 3.06.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Obligated Group Representative certifying that:

(A) The cumulative principal amount of all then outstanding Long-Term Indebtedness incurred pursuant to this subsection 3.06(a)(i)(A), together with the Indebtedness then to be issued does not exceed 20% of Total Operating Revenues as reflected in the most recently Audited Financial Statements, or

(B) The Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available, taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.25; or

(ii) (1) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in subsection (a)(i)(B) of this Section 3.06, excluding the proposed Long-Term Indebtedness, is at least 1.25 and (2) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.35 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance Capital Additions, the full Fiscal Year succeeding the date on which such Capital Additions are forecasted to be in operation or (y) in the case of Long-Term Indebtedness not financing Capital Additions or in the case of a Guaranty, the full Fiscal Year succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; provided, however, that compliance with the tests set forth in this Section 3.06(a)(ii) may be evidenced by a certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in this Section 3.06(a)(ii)(2) is equal to or greater than 1.50; provided, however, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness may be incurred if, prior to the incurrence of such Long-Term Indebtedness, (i) the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness there is delivered to the Master Trustee (A) an Officer's Certificate of the Obligated Group Representative demonstrating that Maximum Annual Debt Service will not increase by more than 10% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Counsel stating that upon the incurrence of such Proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii) the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Obligated Group Representative stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Related Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 10%.

(c) Short-Term Indebtedness may be incurred subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed 20% of Total Operating Revenues as reflected in the Audited Financial Statements of the Obligated Group for the most recent period of twelve consecutive months for which Audited Financial Statements are available; provided, however, that there shall be a period of at least 30 consecutive calendar days during each such period of twelve consecutive calendar months for which Audited Financial Statements are available during which Short-Term Indebtedness shall not exceed 5% of Total Operating Revenues. For purposes of this Section 3.06(c), a Guaranty of Short-Term Indebtedness shall be valued at 20% of the aggregate principal amount of the Short-Term Indebtedness guaranteed so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles; provided that in the event such Guaranty shall be drawn upon, such Guaranty shall be valued at 100% of the aggregate principal amount of the Short-Term Indebtedness guaranteed. For the purpose of calculating compliance with the tests set forth in this subsection 3.06(c), Short-Term Indebtedness secured by accounts receivable shall not be taken into account except to the extent provided in subsection 3.06(f) hereof.

(d) Non-Recourse Indebtedness may be incurred without limit.

(e) Subordinated Debt may be incurred without limit.

(f) Short-Term Indebtedness secured by accounts receivable may be incurred within the limitations imposed on the pledge or sale of accounts receivable, as provided in the last paragraph of this Section 3.06; provided that at the time of incurrence, the outstanding principal amount of such Short-Term Indebtedness is less than or equal to the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness. At any time that the outstanding principal amount of such Short-Term Indebtedness is greater than the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness, the excess amount shall be treated as Short-Term Indebtedness for the purposes of the tests set forth in subsection 3.06(c) hereof.

(g) Indebtedness may be incurred in an amount limited to the cost of completion for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there shall be delivered to the Master Trustee (i) a certificate of the Obligated Group Representative to the effect that the Obligated Group Representative did reasonably expect at the time the initial Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the

Capital Addition, (ii) a licensed architect's or licensed engineer's certificate to the effect that the proceeds of such additional Indebtedness will be sufficient to complete the Capital Addition and (iii) the amount of such Indebtedness is limited to the costs identified in (i) above plus necessary reserves and costs related to issuance of such Indebtedness.

Indebtedness incurred pursuant to any one of subsections (a)(i) or (a)(ii) of this Section 3.06 may be reclassified as Indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a "put" or "tender" provision pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity shall not be considered Balloon Long-Term Indebtedness, solely by reason of such "put" or "tender" provision, and the put or tender provision shall not be taken into account in testing compliance with any debt incurrence test pursuant to this Section 3.06.

Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance herewith in an aggregate amount not exceeding 50% of the three month average outstanding accounts receivable of the Obligated Group that are one hundred and twenty days old or less as calculated in accordance with generally accepted accounting principles. If the Long-Term Debt Service Coverage Ratio is 2.00 or greater, the percentage of accounts receivable identified in the preceding sentence may be increased to 75%. The three month average shall be calculated based on the month end available balances for the three full calendar months immediately preceding the date on which such accounts receivable are sold, pledged, assigned or otherwise disposed or encumbered.

Section 3.07 Long-Term Debt Service Coverage Ratio. (a) The Members of the Obligated Group covenant to set rates and charges for their facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10 for such prior Fiscal Year; *provided, however*, that in any case where Long-Term Indebtedness has been incurred to acquire or construct a Capital Addition, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such Capital Addition unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by subsection (a) hereof, as derived from the most recent Audited Financial Statements for the most recent Fiscal Year, is not met, the Obligated Group covenants to retain a Consultant within thirty (30) days of the delivery of the aforementioned Audited Financial Statements to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Any Consultant so retained shall be required to submit such recommendations within forty-five (45) days after being so retained. Each Member of the Obligated Group agrees that it will, to the extent permitted by Governmental Restrictions, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each Member of the Obligated Group shall follow such Consultant's recommendations to the extent permitted by such Governmental Restrictions, this Section shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level; *provided, however*, that the Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this subsection (b) more frequently than biennially.

Section 3.08 Sale, Lease or Other Disposition of Property; Disposition of Cash and Investments; Unsecured Loans to Non-Members; Sale of Accounts. (a) Each Member of the Obligated Group agrees that it will not Transfer Property, other than in the ordinary course of business, in any Fiscal Year (or other 12-month period for which Audited Financial Statements are available) except for Transfers of Property:

(i) To any Person provided such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property.

(ii) To another Member of the Obligated Group without limit.

(iii) To any Person provided there shall be delivered to the Master Trustee prior to such Transfer an Officer's Certificate certifying that the Obligated Group is in compliance with Section 3.07 hereof and the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Audited Financial Statements have been reported upon by independent certified public accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.25 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place.

(iv) To any Person if the aggregate Book Value of the Property Transferred pursuant to this subsection (iv) in the current Fiscal Year does not exceed 5% of the Book Value of all Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year; provided, however, that transfers to the Affiliated School shall be excluded for the purposes of calculating the amount as transferred.

(v) To any Person if the Property Transferred pursuant to this subsection (v) was transferred at fair market value; *provided further, however*, that with respect to transfers of real property, fair market value shall be based on a written appraisal prepared by an appraiser with experience in valuing similar assets.

(vi) To a Person which at the time of the Transfer is not a Member of the Obligated Group or successor corporation pursuant a merger or consolidation permitted by the Master Indenture, without limit, if such Person or successor corporation shall, at the time of such Transfer, become a Member of the Obligated Group pursuant to the Master Indenture.

(vii) To any S/L Counterparty in connection with a Permitted Sale Leaseback as set forth in Section 3.14 hereof.

(viii) To any Partial Release Sale Counterparty in connection with a Permitted Partial Release Sale as set forth in Section 3.14 hereof.

(b) Any Member of the Obligated Group will have the right to sell, pledge, assign or otherwise dispose of its accounts receivable, with or without recourse, if such Member of the Obligated Group shall receive as consideration for such sale, pledge, assignment or other disposition cash, services or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group and if such sale, pledge, assignment or other disposition meets the limitations contained in the last paragraph of Section 3.06

hereof regarding the aggregate limit on the pledge, sale or other disposition or encumbrance of accounts receivable.

(c) Nothing contained in this Section 3.08 is intended to prohibit the Transfer of Property, including cash, for payment of goods and services in the ordinary course of business of, or for the acquisition of Property by, the Members of the Obligated Group.

(d) No Member of the Obligated Group shall make any Transfer pursuant to this Section 3.08 of Property financed with the proceeds of Related Bonds that are exempt from federal income taxation without first delivering to the Master Trustee an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the proposed Transfer would not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Related Bond would otherwise be entitled.

Section 3.09 Consolidation; Merger; Sale or Conveyance. (a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under this Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Master Indenture and any Supplement hereto; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of this Master Indenture; and

(iii) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating that (A) if such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available, the Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.10, (B) if such merger, consolidation or sale of assets had occurred at the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen calendar months prior to the date of the Officer's Certificate), the conditions described in Section 3.06(a)(i)(B) hereof would have been satisfied for the incurrence of an additional one dollar ($1.00) of Additional Indebtedness, (C) the unrestricted net assets plus temporarily restricted net

assets of the successor, resulting or acquiring corporation, as the case may be, after giving effect to said merger or consolidation, or sale or conveyance of assets is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Member of the Obligated Group which was merged into, consolidated with or whose assets were acquired by, such successor corporation as reflected in the most recent Audited Financial Statements, and (D) that after such merger or consolidation or sale or conveyance of assets, no Member of the Obligated Group will be in default in the performance of any covenant contained in this Master Indenture.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall comply with the requirements of Section 3.11 hereof and shall succeed to and be substituted for its predecessor, as a Member of the Obligated Group. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable hereunder; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in this Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation hereunder shall in all respects have the same security position and benefit under this Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of this Master Indenture as though all of such Obligations had been issued hereunder without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under this Master Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subparagraph (a)(iv) hereof has been delivered, the Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VI and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

(e) Any Indebtedness previously incurred by the Person or successor corporation becoming a Member of the Obligated Group in accordance with the provisions of this Section 3.09 shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect, regardless of whether such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 hereof immediately after such Person or successor corporation became a Member of the Obligated Group.

(f) All references herein to successor corporations shall be deemed to include the surviving corporation in a merger.

Section 3.10 Filing of Audited Financial Statements; Certificate of No Default; Other Information. The Obligated Group covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than one hundred fifty (150) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited Financial Statements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and

shall include such statements necessary for a fair presentation of financial position, statement of activity and changes in net assets and cash flows of such fiscal reporting period.

(b) Within thirty (30) days after receipt of the audit report mentioned above but in no event later than one hundred fifty (150) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in this Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or Obligated Group of companies, including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours.

(d) Within thirty (30) days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of this Master Indenture requires to be prepared by a Consultant or an Insurance Consultant.

Section 3.11 Parties Becoming Members of the Obligated Group. Persons which are not Members of the Obligated Group may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under this Master Indenture and any Supplements and thereby become subject to compliance with all provisions of this Master Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, (ii) and unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, each Related Bond Issuer and each Related Credit Facility Issuer, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles, laws dealing with fraudulent conveyances, limitations on the ability of one charity to make guarantees in favor of other entities, and subject to other customary exceptions acceptable to the Master Trustee and that the obligations of such Person or successor corporation created thereunder include the requirements described in subsection (a).

(c) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to

the Holders thereof, there shall be filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of any Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(d) An Officer's Certificate of the Obligated Group Representative shall be provided to the Master Trustee demonstrating that (i) after giving effect to the admission of such Person as a Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group including such Person is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person shall become a member of the Obligated Group, (ii) the conditions described in Section 3.06(a)(i)(B) hereof have been satisfied for the incurrence of an additional one dollar ($1.00) of Additional Indebtedness, assuming that the Person or corporation which is becoming a Member of the Obligated Group had become a Member at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen (18) calendar months prior to the date of the Officer's Certificate) and (iii) after giving effect to the admission of such Person as a Member of the Obligated Group, no Member of the Obligated Group will be in default in the performance of any covenant contained in this Master Indenture.

(e) Any Indebtedness previously incurred by a new Member of the Obligated Group (other than the Affiliated School) shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect, if such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 hereof immediately after such Person became a Member of the Obligated Group. Any Indebtedness incurred by the Affiliated School prior to becoming a Member of the Obligated Group pursuant to subsection (g) below shall be permitted to remain outstanding, and any lien or securing interest securing such Indebtedness shall be permitted to remain in effect, regardless of whether such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 hereof immediately after the Affiliated School became a Member of the Obligated Group.

(f) Each new Member of the Obligated Group shall grant to the Master Trustee a Mortgage on all Health Care Facilities owned by such Member that are either: (i) financed or refinanced with the proceeds of Indebtedness secured by an Obligation issued under the Master Indenture; or (ii) owned by such Member at the time of its admission to the Obligated Group, subject to any liens or security interests permitted to remain outstanding under Section 3.11(e) hereof. Notwithstanding the foregoing, the Affiliated School shall not be required to grant a Mortgage on any of its facilities in connection with the admission of the Affiliated School as a Member of the Obligated Group.

(g) Notwithstanding anything to the contrary in this Master Indenture, the Affiliated School may become a Member of the Obligated Group, without regard to the fact that the Affiliated School is not separately incorporated, if:

(1) The Affiliated School delivers the instrument referred to in Section 3.11(a)(i) and (ii) with respect to the assets and revenues only of the Affiliated School (and without recourse to any other assets or revenues of New York University);

(2) The Affiliated School complies with the provisions of Section 3.11(b) provided that such opinion may be further qualified by reference to the fact that the obligation of the Affiliated School is non-recourse to the other assets and revenues of New York University;

(3) The Affiliated School complies with the provisions of Section 3.11(c); and

(4) The provisions of Section 3.11(d)(i) are satisfied.

In the event that the Affiliated School becomes a Member of the Obligated Group, all references herein to "Persons" or "corporations" shall be deemed satisfied with respect to the Affiliated School despite the fact that it is not separately incorporated so long as the Affiliated School produces annual financial statements (which may be in the form of consolidating schedules or otherwise) separately from the other assets and revenues of New York University.

Section 3.12 Withdrawal from the Obligated Group. (a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Obligated Group Representative; and provided further, that prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Related Bonds which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holders thereof, there shall be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof under the Code;

(ii) The Obligated Group shall have provided one of the following:

(A) An Officer's Certificate of the Obligated Group Representative demonstrating that assuming such withdrawal and any payments or extinguishment of Obligations to be made in connection therewith had occurred at the beginning of the calculation periods described below:

(1) the Long-Term Debt Service Coverage Ratio of the remaining Members for each of the most recent two periods of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available taking all Long-Term Indebtedness incurred after such period into account is not less than 1.25; and

(2) either:

(w) the Long-Term Debt Service Coverage Ratio for the remaining Members for the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available would not, if such withdrawal had occurred at the beginning of such period, be less than 1.50; or

(x) after giving effect to the withdrawal of such Member of the Obligated Group and any payment or extinguishment of Obligations to be made in connection therewith, the Ratio of Long-Term Indebtedness to Capital (where Capital is the total of unrestricted net

assets, plus temporarily restricted net assets, plus Long-Term Indebtedness) of the remaining Members of the Obligated Group as of the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available is not greater than it would have been had the withdrawal not occurred; or

(y) after giving effect to the withdrawal of such Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group would not be less than 60% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Member of the Obligated Group withdraws from the Obligated Group; or

(z) a written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two periods of twelve full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.35; *provided, however*, that compliance with the test set forth in this clause (z) may be evidenced by an Officer's Certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio for each of the two periods of twelve full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.50; or

(B) receipt by the Trustee of a Credit Enhancement, including evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed withdrawal is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than "AA" (or the corresponding rating) by any rating agency.

(iii) an Opinion of Counsel, addressed and satisfactory to the Master Trustee, each Credit Facility Issuer and (to the extent any Related Bonds of the Authority remain Outstanding), to the Authority to the effect that such withdrawal is authorized by and complies with all Governmental Restrictions and the provisions of this Master Indenture and any agreements or other documents relating to this Master Indenture, the Obligations or the Related Bonds.

(iv) an Officer's Certificate of the Obligated Group Representative certifying that upon such withdrawal the remaining Members of the Obligated Group will not be in default in the performance of any covenant contained in this Master Indenture.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, any guaranty by such Member pursuant hereto shall be released and discharged in full, the Master Trustee shall release or consent to the release of all collateral of such withdrawing Member held by or for the benefit of the Obligation Holders, and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under this Master Indenture shall cease.

"Credit Enhancement" means credit enhancement consisting of a surety bond, insurance policy, letter of credit or other form of credit enhancement from a financial institution generally regarded as responsible (in each case which is irrevocable and will remain in full force and effect for the entire period of time each such Related Bond or Obligation, as the case may be, remains outstanding (or which allows for the tender of the Related Bonds or Obligation, prior to the stated expiration of the Credit Enhancement) and provides for payment in full of principal and interest on such Related Bond or Obligation when due) or the Obligated Group has delivered, respectively, to each Related Bond Trustee for each outstanding Related Bond, each trustee for any outstanding Obligation which is not pledged to

secure Related Bonds and each holder of an outstanding Obligation which is not pledged to secure Related Bonds and with respect to which there is no trustee, credit enhancement of the types described above in this subpart. "Credit Enhancement" shall also include FHA insurance of the underlying mortgage note if such mortgage note is security for the Related Bonds or Obligation.

Section 3.13 Medicaid Account. Commencing on the date of issuance of the initial Obligations under this Master Indenture, each Member of the Obligated Group which is reimbursed as a health care provider pursuant to the Medicaid program shall establish with the Master Trustee, as depositary, an account designated the "Medicaid Revenue Account." Each such Member shall cause there to be deposited in such Medicaid Revenue Account all Medicaid reimbursement whether received directly or as a payment from a health maintenance or other third-party organization and all reimbursement received with respect to any successor program to Medicaid the purpose of which is to provide substantially similar reimbursement coverage. Each such Member of the Obligated Group agrees that it will not establish any other account to receive such funds. The Obligated Group Representative shall provide the Master Trustee, prior to January 1 of each year and upon the issuance of any additional Obligations, a schedule which shall set forth by month the estimated debt service payable on all Obligations outstanding under the Master Indenture (the "Monthly Requirement"). Such schedule, unless otherwise provided in such Supplemental Obligation shall assume that (a) any principal payment due on an Obligation shall be amortized in twelve equal monthly installments; and (b) any variable rate interest Obligation shall bear interest at the maximum rate established for the prior twelve month period.

Beginning on the first day of each month, the Master Trustee shall retain all monies in the Medicaid Revenue Accounts until the aggregate amount on deposit in all such Medicaid Revenue Accounts shall equal the Monthly Requirement for such month and transfer all funds in excess of the Monthly Requirement to the general funds of the Members of the Obligated Group. The Master Trustee shall then transfer the appropriate amount to the Holder of each Obligation in satisfaction of the payment requirement on any such Obligation then due. Notwithstanding the foregoing, in the event the Master Trustee shall receive notice of the occurrence of any Event of Default under subsections (a), (d), (e) or (f) of Section 4.01 hereof, all monies deposited to the Medicaid Revenue Accounts shall be transferred to the Gross Receipts Revenue Fund established under Section 4.03 hereof.

Section 3.14 Permitted Sale Leaseback and Partial Release Sale.

(a) The Members of the Obligated Group may, from time to time, enter into one or more sale leaseback transactions (each, a "Permitted Sale Leaseback") pursuant to which (i) there is a Transfer of fee, leasehold or other interests in real estate (the "S/L Parcel"), which may include a portion(s) of the Mortgaged Property, to a third party (an "S/L Counterparty"), (ii) the net proceeds received by the Members of the Obligated Group from such Transfer are applied to the construction and development of the S/L Parcel, (iii) the S/L Counterparty leases the S/L Parcel to the Member of the Obligated Group or their Affiliates pursuant to a lease and related documentation that may provide for the construction and development of improvements on the S/L Parcel, (iv) after consummation of the sale leaseback, the Mortgaged Property and the S/L Parcel will comply in all material ways with Governmental Restrictions including material zoning and land use requirements, (v) other than insurance proceeds and condemnation awards relating to the S/L Parcel or any improvements thereon, any receipts, revenues, income and other moneys received by or on behalf of a Member of the Obligated Group in connection with the use, ownership or interest in the S/L Parcel or the improvements thereon will remain subject to the Master Trustee's security interest in Gross Receipts.

Prior to entering into a Permitted Sale Leaseback, the Obligated Group Representative will deliver to the Master Trustee an Officer's Certificate (the "S/L Certificate") that describes the Permitted

Sale Leaseback in reasonable detail and certifies that the conditions set forth in clauses (i) through (v) above will be satisfied.

The Master Trustee will execute and deliver all instruments (such as releases, partial releases, subordinations, access agreements, ground leases and consents) that are reasonably required to effectuate a Permitted Sale Leaseback (the "S/L Master Trustee Documents"), provided that the Master Trustee has received an S/L Certificate and a written, reasonably detailed request for execution and delivery of the S/L Master Trustee Documents from the Obligated Group Representative.

(b) The Members of the Obligated Group may, from time to time, enter into one or more real estate transactions (each, a "Permitted Partial Release Sale") pursuant to which (i) there is a sale of fee interests in real estate (the "Partial Release Parcel"), which may include a portion(s) of the Mortgaged Property, to a third party (a "Partial Release Sale Counterparty"); (ii) the sale of the Partial Release Parcel does not materially detract from the utility of the Health Care Facilities; (iii) the Partial Release Parcel is sold for fair market value as evidenced by a written appraisal prepared by an independent appraiser with experience in valuing similar assets; (iv) the net proceeds received by the Members of the Obligated Group from the Permitted Partial Release Sale will be applied to the operation, maintenance or improvement of the Mortgaged Property or to prepayment of the Obligations then outstanding, pro rata based on the Outstanding principal amount thereof or as otherwise required pursuant to the Opinion of Counsel referred to in subsection (c) below.

Prior to entering into a Permitted Partial Release Sale, the Obligated Group Representative will deliver to the Master Trustee an Officer's Certificate (the "Partial Release Sale Certificate") that describes the Permitted Partial Release Sale in reasonable detail and certifies that the conditions set forth in clauses (i) through (iv) above will be satisfied.

The Master Trustee will execute and deliver all instruments (such as releases, partial releases, subordinations, access agreements, and consents) that are reasonably required to effectuate a Permitted Partial Release Sale (the "Partial Release Sale Master Trustee Documents"), provided that the Master Trustee has received a Partial Release Sale Certificate and a written, reasonably detailed request for execution and delivery of the Partial Release Sale Master Trustee Documents from the Obligated Group Representative.

(c) No Member of the Obligated Group shall enter into a Permitted Sale Leaseback or a Permitted Partial Release Sale pursuant to this 0 without first delivering to the Master Trustee an Opinion of Counsel, in form and substance satisfactory to the Master Trustee and the Related Bond Issuer, to the effect that the proposed transaction would not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Related Bond would otherwise be entitled.

DEFAULT AND REMEDIES

Section 4.01 Events of Default. Event of Default, as used herein, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest or other amounts on any Obligations issued and Outstanding hereunder within three (3) days of when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of this Master Indenture or of any Supplement, unless otherwise indicated in the applicable Obligation;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under this Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group and the Obligated Group Representative by the Master Trustee, or to the Members of the Obligated Group and the Obligated Group Representative and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding or by the Credit Facility Issuer, if any, with respect to an Obligation or Related Bonds; *provided, however*, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected;

(c) An event of default shall occur under a Related Bond Indenture, under a Related Loan Agreement, upon a Related Bond or under a Mortgage that secures any Obligation issued hereunder;

(d) (i) Any Member of the Obligated Group shall fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding hereunder), which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or

(ii) there shall occur an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if within 30 days (i) written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that such Member of the Obligated Group is contesting the payment of such Indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith shall commence proceedings to contest the obligation to pay such Indebtedness and if a judgment relating to such Indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness;

(e) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(f) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee

or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

Section 4.02 Acceleration; Annulment of Acceleration. (a) Upon the occurrence and during the continuation of an Event of Default hereunder, the Master Trustee may and, upon the written request of the Holders of not less than 25% in aggregate principal amount of Obligations Outstanding, shall, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other section of this Master Indenture to the contrary notwithstanding. In the event Obligations are accelerated there shall be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied or waived pursuant to Section 4.09 hereof, then the Master Trustee may, and upon the written request of Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 4.03 Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding or upon the request of the Credit Facility Issuer, if any, with respect to any series of Obligations or Related Bonds, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Bring suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of New York;

(vi) Enforcement of any Mortgage granted by any Member of the Obligated Group to secure any one or more Obligations; and

(vii) Enforcement of any other right of the Holders conferred by law or hereby.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding or the Credit Facility Issuer, if any, with respect to a series of Obligations or Related Bonds, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of the Holders not making such request.

(c) Upon the occurrence of an Event of Default pursuant to subsections (a), (d), (e) or (f) of Section 4.01 hereof, the Master Trustee shall, and upon the occurrence of any other Event of Default, the Master Trustee may realize upon any security interest which the Master Trustee may have in Gross Receipts and shall establish and maintain a Gross Receipts Revenue Fund into which shall be deposited all Gross Receipts as and when received. All amounts deposited into the Gross Receipts Revenue Fund shall be applied by the Master Trustee or made available to any alternate paying agent appointed pursuant to any Supplement for application (i) to the payment of the reasonable and necessary operating expenses of the Obligated Group, all in accordance with budgeted amounts proposed by the Obligated Group Representative, (ii) to the payment of the principal or redemption price of, and interest on all Obligations in accordance with their respective terms, and (iii) such other amounts as may be required by this Master Indenture and any Supplement hereto. Pending such application, all such moneys and investments in the Gross Receipts Revenue Fund shall be held for the equal and ratable benefit of all Obligations Outstanding; provided, that amounts held in the Gross Receipts Revenue Fund for making of debt service payments on or after the due date for Obligations shall be reserved and set aside solely for the purpose of making such payment. In addition, with regard to Gross Receipts, the Master Trustee may take any one or more of the following actions: (i) during normal business hours enter the offices or facilities of any Member of the Obligated Group and examine and make copies of the financial books and records of the Member relating to the Gross Receipts and take possession of all checks or other orders for payment of money and moneys in the possession of the Members of the Obligated Group representing Gross Receipts or proceeds thereof; (ii) notify any account debtors obligated on any Gross Receipts to make payment directly to the Master Trustee, (iii) following such notification to account debtors, collect, or, in good faith compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from each Member's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) forbid any Member to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Receipts, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (v) endorse in the name of the applicable Member any checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof.

Section 4.04 Application of Moneys after Default. During the continuance of an Event of Default, subject to the expenditure of moneys to make any payments required to permit any Member of the Obligated Group to comply with any requirement or covenant in any Related Indenture to cause Related Bonds the interest on which, immediately prior to such Event of Default, is excludable from the gross income of the recipients thereof for federal income tax purposes under the Code to retain such status under the Code, all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article shall be applied, after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee pursuant to Section 5.05 hereof, in accordance with the provisions of Section 4.03(c) hereof and, with respect to the payment of Obligations thereunder, as follows:

(a) Unless all amounts due with respect to all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on Obligations or regularly scheduled payments on an Obligation issued in connection with a Derivative Agreement ("Regularly Scheduled Swap Payments") in the order of the maturity of such installments or payments, and, if the amount available shall not be sufficient to pay in full all installments or payments due on any date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations or payments on an Obligation issued in connection with a Derivative Agreement other than Regularly Scheduled Swap Payments ("Other Swap Payments") which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Third: To the extent there exists a Credit Facility Issuer with respect to any series of Obligations or Related Bonds, amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clauses First and Second above.

Fourth: To the payment of all other Outstanding Obligations (including without limitation Obligations securing Derivative Agreements) ratably, according to the amounts due thereunder without any discrimination or preference.

(b) If all amounts due with respect to all Outstanding Obligations shall have become or have been declared due and payable, to the payment of all amounts then due and unpaid upon Obligations without preference or priority of principal or Other Swap Payments over interest or Regularly Schedule Swap Payments, or of interest or Regularly Scheduled Swap Payments over principal or Other Swap Payments, or of any installment of interest or payment of Regularly Scheduled Swap Payment over any other installment of interest or payment of Regularly Scheduled Swap Payments, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal, interest, and all amounts due under any Derivative Agreement, to the Persons entitled thereto without any discrimination or preference.

(c) If all amounts due with respect to all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of subsection (b) of this Section in the event that all amounts due with respect to all Outstanding Obligations shall later become due or be declared due

and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Moneys held in the Gross Receipts Revenue Fund shall be invested in Government Obligations which mature or are redeemable at the option of the holder not later than such times as shall be required to provide moneys needed to make the payments or transfers therefrom. Subject to the foregoing, such investments shall be made in accordance with a certificate of the Obligated Group Representative directing the Master Trustee to make specific investments. Unless otherwise provided in this Master Indenture, the Master Trustee shall sell or present for redemption, any Government Obligation so acquired whenever instructed to do so pursuant to an Officer's Certificate or whenever it shall be necessary to do so to provide moneys to make payments or transfers from the Gross Receipts Revenue Fund. The Master Trustee shall not be liable or responsible for making any such investment in the manner provided above and shall not be liable for any loss resulting from any such investment. Any investment income derived from any investment of moneys on deposit in the Gross Receipts Revenue Fund shall be credited to the Gross Receipts Revenue Fund and retained therein until applied to approved purposes.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

Section 4.05 Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

Section 4.06 Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of Section 4.04 hereof, any recovery or judgment shall be for the equal benefit of the Holders.

Section 4.07 Holders' Control of Proceedings. If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method

and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is not in conflict with any applicable law or the provisions hereof, and is not unduly prejudicial to the interest of any Holders not joining in such direction, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, in the sole judgment of the Master Trustee, and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by the Holders; provided, further, that the Credit Facility Issuer, if any, with regard to any series of Obligations or any series of Related Bonds secured by Obligations, and not the Holders, shall have the right to control proceedings with respect thereto in the manner described in this Section.

Section 4.08 Termination of Proceedings. In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 4.09 Waiver of Event of Default. (a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds, shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02 hereof, a default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default hereunder, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 4.10 Appointment of Receiver. Upon the occurrence of any Event of Default described in subsections (a), (d), (e) and (f) of Section 4.01 hereof, unless the same shall have been waived as herein provided, the Master Trustee shall be entitled as a matter of right if it shall so elect, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be

due and payable, or (iii) upon the commencement of an action to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Each Member of the Obligated Group, respectively, hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Section 4.11 Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

Section 4.12 Notice of Default. The Master Trustee shall, within ten (10) days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to S&P and all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) of Section 4.01, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

THE MASTER TRUSTEE

Section 5.04 Removal and Resignation of the Master Trustee. The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default shall have occurred and be continuing, by an instrument in writing signed by the Obligated Group Representative. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created hereby. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and to each Holder by first class mail at the address then reflected on the books of the Master Trustee and such resignation or removal shall take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or, if no such appointment is made by the Obligated Group Representative within thirty (30) days of the date notice of resignation or removal is given, the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment hereunder, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to each registered Holder.

SUPPLEMENTS AND AMENDMENTS

Section 6.01 Supplements Not Requiring Consent of Holders. Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders enter into one or more Supplements for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein.

(b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders.

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.02(a).

(d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) To create and provide for the issuance of Indebtedness as permitted hereunder, so long as no Event of Default has occurred and is continuing under the Master Trust Indenture.

(f) To obligate a successor to any Member of the Obligated Group as provided in Section 3.11.

(g) To comply with the provisions of any federal or state securities law.

(h) So long as no Event of Default has occurred and is continuing under this Master Indenture and so long as no event which with notice or the passage of time or both would become an

Event of Default under this Master Indenture has occurred and is continuing, to make any change to the provisions of this Master Indenture if the following conditions are met:

(i) the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect (i) evidence satisfactory to the Master Trustee to the effect that there exists for each Related Bond or Obligation, Credit Enhancement (as defined in Section 3.12) and (ii) evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed change is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than the rating applicable to such Related Bond or Obligation on the day prior to the effective date of such change; and

(ii) with respect to each outstanding Related Bond, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Bond would otherwise be entitled.

Section 6.02 Supplements Requiring Consent of Holders. (a) Other than Supplements referred to in Section 6.01 hereof and subject to the terms and provisions and limitations contained in this Article, the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding shall have the right, with the consent of each Credit Facility Issuer, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Except as otherwise permitted in this Master Indenture or an existing Supplement, permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement and if within such period, not exceeding three years, as shall be prescribed by each Member of the Obligated Group following the request, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) of this Section 6.02 for the Supplement in question which instrument or

instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by Section 8.01 of this Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

SATISFACTION AND DISCHARGE OF INDENTURE

Section 7.01 Satisfaction and Discharge of Indenture. If (i) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Members of the Obligated Group or any thereof, then this Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture. Each Member of the Obligated Group, respectively, hereby agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with this Master Indenture or such Obligations.

CONCERNING THE HOLDERS

Section 8.01 Evidence of Acts of Holders. (a) In the event that any request, direction or consent is requested or permitted hereunder of the Holders of any Obligation securing an issue of Related Bonds, the registered owners of such Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of such series of Related Bonds then outstanding held by each

such owner of Related Bonds bears to the aggregate principal amount of all Related Bonds of such series then outstanding; provided however that if any portion of such Related Bonds is secured by a Credit Facility that is also secured by a separate Obligation issued hereunder, the principal amount of the Obligation that secures the Related Bonds deemed outstanding for purposes of any such request, direction or consent shall be reduced by the amount of Related Bonds that are secured by such Credit Facility for the purpose of any such request, direction or consent and the Holders of the Related Bonds that are secured by such Credit Facility shall not be consulted or counted.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

(d) Nothing in this Section shall be construed as limiting the Master Trustee to the proof herein specified, it being intended that the Master Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

(e) Any action taken or suffered by the Master Trustee pursuant to any provision hereof upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

(f) In the event that any request, direction or consent is requested or permitted hereunder of the Holders of an Obligation that constitutes a Guaranty, for purposes of any such request, direction or consent, the principal amount of such Obligation shall be deemed to be the stated principal amount of such Obligation.

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Appendix E-2

Summary of Certain Provisions of the Supplemental Master Indenture

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Exhibit E-2

SUMMARY OF CERTAIN PROVISIONS OF SUPPLEMENTAL INDENTURE FOR OBLIGATION NO. 9

Mortgages

The Mortgage previously granted to the Authority by the Member of the Obligated Group has been assigned to the Master Trustee. Each Member of the Obligated Group shall grant to the Master Trustee a Mortgage on all Health Care Facilities owned by such Member that are either: (i) financed or refinanced with the proceeds of Indebtedness secured by an Obligation issued under the Master Indenture; or (ii) owned by a new Member of the Obligated Group at the time of such admission, subject to any liens or security interests permitted to remain outstanding under the Master Indenture. Notwithstanding the foregoing or any other provision of this Supplement or of the Master Indenture, the Affiliated School shall not be required to grant a Mortgage on any of its facilities in connection with the admission of the Affiliated School as a Member of the Obligated Group.

(Section 3)

Quarterly Disclosure Obligations

(a) NYUHC shall provide, quarterly, an electronic copy of the Quarterly Report (as described below) to the Disclosure Dissemination Agent (as defined in the Agreement to Provide Continuing Disclosure by and among NYUHC, the Bond Trustee, the Authority and Digital Assurance Certification, LLC), together with a copy each for the Authority and the Bond Trustee, not later than 60 days after the end of each of the first, second and third fiscal quarters (i.e., the fiscal quarters ending November 30, February 28 and May 31) and 90 days after the end of the fourth fiscal quarter (i.e., the fiscal quarter ending August 31) (collectively, the "Quarterly Report Filing Deadline"). Within a timely manner following receipt of an electronic copy of the Quarterly Report, the Disclosure Dissemination Agent shall provide the Quarterly Report to the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 (the "MSRB") through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures.

(b) Each Quarterly Report shall contain (A) the unaudited consolidated financial statements of the Obligated Group, consisting of the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flows, but excluding footnotes, (B) utilization statistics of NYUHC for such quarter, including aggregate discharges per facility, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable), and (C) discharges of NYUHC and any other Member of the Obligated Group by major payor mix for such quarter.

(c) In the event of a failure of NYUHC or the Disclosure Dissemination Agent to comply with any provision of this Section, the Holders' rights to enforce the provisions of this Section shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Section; and provided further that any challenge to the adequacy of the information provided in accordance with this Section shall be brought only by the Bond Trustee on behalf of the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding. Any failure by a party to perform in accordance with this Section shall not constitute a default on the Bonds, the Loan Agreement, the Master Indenture or the Related Bond Indenture or under any other

document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

(d) In the event of any change in the fiscal year of NYUHC, all quarterly reports required under this Section shall be adjusted to refer to the fiscal quarters of such changed fiscal year.

(Section 12)

Amendments to the Master Indenture regarding GAAP

The Master Indenture is amended by adding the following to the "Supplements Not Requiring the Consent of Holders":

> To make any changes relating (1) to the application of generally accepted accounting principles ("GAAP") or the definition or determination of Book Value, Indebtedness (which for the avoidance of doubt includes all definitions incorporating the definition of Indebtedness, including, without limitation, Long-Term Debt Service Requirement, Balloon Long-Term Indebtedness, Long-Term Indebtedness and Short-Term Indebtedness), or Income Available for Debt Service, or (2) to the provisions of the Master Indenture, in each case, that are necessary to address a change in GAAP that solely in and of itself would cause any Member of the Obligated Group to be in default of any of the covenants set forth in the Master Indenture.

(Section 15)

In addition to the foregoing, certain financial and reporting covenants are made solely for the benefit of the Authority (and may be waived in the sole discretion of the Authority). These supplemental covenants may not be enforced or relied upon by the Master Trustee, the Bond Trustee, or the beneficial holders of the Series 2011A Bonds.

Appendix F

Proposed Form of Approving Opinion
of Bond Counsel

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December __, 2010

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

Re: $130,930,000 Dormitory Authority of the State of New York NYU Hospitals Center Revenue Bonds, Series 2011A

Ladies and Gentlemen:

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with its issuance of $130,930,000 aggregate principal amount of NYU Hospitals Center Revenue Bonds, Series 2011A (the "Series 2011A Bonds"), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law), which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (constituting Chapter 6 of Title 18 of the New York Unconsolidated Laws), and Part B of the Authority's Amended and Restated NYU Hospitals Center Obligated Group Revenue Bond Resolution adopted pursuant to a Supplemental Resolution, adopted on June 28, 2006, which amended and restated the Authority's Mount Sinai NYU Health Obligated Group Revenue Bond Resolution, adopted April 5, 2000 (the "Resolution") and the Series 2011A Resolution Authorizing NYU Hospitals Center Revenue Bonds, Series 2011A, adopted December 8, 2010 (the "Series 2011A Resolution"). The Resolution and the Series 2011A Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into an Amended and Restated Loan Agreement with NYU Hospitals Center ("NYUHC"), dated as of June 28, 2006, as supplemented by Supplement No. 1 to the Amended and Restated Loan Agreement, dated as of November 29, 2006, Supplement No. 2 to the Amended and Restated Loan Agreement, dated as of October 31, 2007, and Supplement No. 3 to the Amended and Restated Loan Agreement, dated as of December 8, 2010 (collectively, the "Loan Agreement"), providing, among other things, for a loan to NYUHC for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, NYUHC is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Series 2011A Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of such Series 2011A Bonds.

The Series 2011A Bonds are secured by, among other things, funds and accounts held under the Resolutions and a pledge of payments to be made under the Loan Agreement. In addition, the Series 2011A Bonds are secured by payments to be made by NYUHC on its Obligation No. 9, dated as of December 8, 2010 (the "Series 2011A Obligation") issued by NYUHC under a Master Trust Indenture, dated as of June 28, 2006 (the "Master Trust Indenture"), between NYUHC and The Bank of New York Mellon, as successor to The Bank of New York, as master trustee (the "Master Trustee"), as such Master Trust Indenture is supplemented by Supplemental Indenture No. 9, dated as of December 8, 2010 ("Supplement No. 9" and, together with the Master Trust Indenture and all other supplements thereto, the "Master Indenture"), between the NYUHC and the Master Trustee. The Series 2011A Obligation is being delivered to the Authority as evidence of NYUHC's obligation to repay the proceeds of the Series 2011A Bonds and is assigned by the Authority to the Trustee as security for the payment of the Series 2011A Bonds.

Interest on the Series 2011A Bonds is to be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2011. The Series 2011A Bonds are to mature on the dates and in the years and amounts set forth in the Bond Series Certificate executed and delivered pursuant to the Resolutions concurrently with the issuance of the Series 2011A Bonds.

The Series 2011A Bonds are to be issued in fully registered form in the denominations of $100,000 at maturity or any integral multiple of $5,000 in excess thereof. The Series 2011A Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions and the Bond Series Certificate.

In such connection, we have reviewed the Resolutions, the Loan Agreement, the Series 2011A Obligation, the Master Indenture, the Tax Certificate and Agreement dated as of the date hereof (the "Tax Certificate") between the Authority and NYUHC, opinions of counsel to the Authority, the Trustee and NYUHC, certificates of the Authority, the Trustee, NYUHC, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Annette B. Johnson, Esq., NYUHC's Vice President and General Counsel, regarding, among other matters, the current qualification of NYUHC as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and the use of the facilities financed with the proceeds of the Series 2011A Bonds in activities that are not considered unrelated trade or business activities of NYUHC within the meaning of Section 513 of the Code. We note that such opinion is subject to a number of qualifications and limitations. Failure of NYUHC to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond financed facilities in activities that are considered unrelated trade or business activities of NYUHC within the meaning of Section 513 of the Code, may result in interest on Series 2011A Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2011A Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, parties other than the Authority. We have assumed, without undertaking to verify the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2011A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2011A Bonds, the Resolutions, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditor's rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2011A Bonds and express no opinion with respect thereto herein.

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

1. The Authority has been duly created, is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York and is duly authorized and entitled to issue the Series 2011A Bonds.

2. The Series 2011A Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly and lawfully adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge and a valid lien, to secure the payment of the principal of and interest on the Series 2011A Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Series 2011A Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by NYUHC, constitutes the valid and binding agreement of the Authority in accordance with its terms.

5. The Series 2011A Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2011A Bonds. The Series 2011A Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof.

6. Interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • NYU HOSPITALS CENTER REVENUE BONDS, SERIES 2011A

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