

This document is dated as of July 20, 2010

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS. Certain of the discussions included in the following document may include certain “forward-looking statements” which involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. Actual actions or results may differ materially from those discussed below. Specific factors that might cause such differences include competition from other healthcare facilities in the service area of NYU Hospitals Center facilities, federal and state regulation of healthcare providers, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements preceded by, followed by or that include the words “believes,” “estimates,” “expects,” “anticipates,” “plans,” “intends,” “scheduled” or other similar expressions are or may constitute forward-looking statements.

**QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
MAY 31, 2010**

Concerning

NYU Hospitals Center

**The information in this report
has been provided by
NYU Hospitals Center**

**NYU HOSPITALS CENTER
QUARTERLY REPORT
FOR THE NINE MONTHS ENDING MAY 31, 2010**

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NYU HOSPITALS CENTER
MANAGEMENT'S DISCUSSION & ANALYSIS OF RECENT FINANCIAL
PERFORMANCE
FOR THE NINE MONTHS ENDING MAY 31, 2010

Summary of Operations

The financial covenant calculations for NYU Hospitals Center ("NYUHC") for the nine months ending May 31, 2010 exclude the financial results of NYUHC's affiliated but separately organized offshore insurance captive, CCC550 Insurance SCC ("CCC550"). NYUHC has excluded the results for CCC550 consistent with the provisions of the Master Trust Indenture relating to the DASNY Series 2006A&B and 2007A&B bond issuances.

For the nine months ending May 31, 2010, NYUHC recorded a gain from operations (referred to herein as the "Management Operating Measure") of \$152.4 million, or a 13.0% operating margin.

For the nine months ending May 31, 2010, NYUHC recorded total revenue of \$1.2 billion: 96% from patient revenue and 4% from other sources (i.e. grants, contributions and other revenue).

Net patient revenue totaled \$1.1 billion for the nine months ending May 31, 2010: 60% from inpatient operations and 40% from outpatient operations. This represents a \$185.7 million, or 19.7%, increase over the nine months ending May 31, 2009. NYUHC's patient revenue growth has been realized through a combination of favorable results in higher margin services and continued improvement in revenue realization through revenue cycle initiatives.

Net inpatient revenue has increased \$100.3 million, or 17.2%, from 2009 to 2010. Inpatient discharges, excluding routine newborn, increased 557 cases, or 2.0% from the nine months ending May 31, 2009. In addition to the volume increases, NYUHC has been able to increase overall net inpatient revenue between 2009 and 2010 as a result of achieving rate increases from a higher level of acuity in certain services compared to prior year. The case mix index was 1.94 at May 31, 2010 compared to 1.88 at May 31, 2009.

Net outpatient revenue increased \$85.4 million, or 23.7%, from 2009 to 2010. Outpatient visits in total have increased 4.6% between 2009 and 2010. Emergency room visits, excluding

admissions, totaled 22,576 visits at May 31, 2010, an increase of 1,149 visits, or 5.4% from the nine months ending May 31, 2009. Ambulatory services at NYUHC's 34th Street Cancer Center have increased 9,545 visits, or 7.9%, from 2009 to 2010. Clinic, Ambulatory and Referred Ambulatory Surgeries increased 9,924 visits, or 3.2%, during 2010 and were most notably realized in services such as infusion (8.5% increase from 2009 to 2010), non-invasive cardiology (19.4% increase from 2009 to 2010) and cardiac catheterization (22.3% increase from 2009 to 2010).

NYUHC recorded total investment returns of \$1.7 million in 2010 versus a net return of \$(7.9) million in 2009. The \$1.7 million return in the current year is comprised of realized and unrealized gains from both endowment distributions and short-term investments during the year.

Operating expenses for the nine months ending May 31, 2010 totaled \$1.0 billion. Expenses were comprised as follows: 50% in salaries and benefits; 42% in medical supplies and supplies and other; 4% in depreciation and amortization; 2% in interest; and 2% in bad debt expense. Operating expenses increased \$91.8 million, or 10.0%, from the nine months ending May 31, 2009. The primary increase is within medical supplies and supplies and other and is due to increased expense levels associated with the growth in ambulatory services, the intensity of the services provided and inflationary factors. This expense growth has been partially offset by favorable outcomes in NYUHC's malpractice insurance experience.

The following other changes in unrestricted net assets were recorded for the nine months ending May 31, 2010, resulting in a \$133.8 million net increase in unrestricted net assets:

- (\$50.0) million support to NYU School of Medicine ("NYUSoM");
- \$16.9 million in net assets released from restriction for capital purposes;
- \$9.8 million changes in pension & postretirement obligations;
- \$4.0 million equity investment return – CCC550;
- \$0.9 million contributions for capital asset acquisitions;
- \$0.5 million net investment returns less endowment distribution;
- (\$0.8) million in transfers to NYUSoM.

Cash and cash equivalents were \$309.9 million at May 31, 2010, including board designated funds totaling \$90.1 million. This is an \$85.7 million improvement versus the August 31, 2009

cash position for NYUHC. As calculated under the Master Trust Indenture that secures all of NYUHC's DASNY Bonds (the "MTI"), days cash on hand equated to 107 days for the period ended May 31, 2010. Patient accounts receivable were \$191.4 million and Accounts payable and accrued expenses were \$115.2 million at May 31, 2010. In May 2010, NYUHC repaid the outstanding balance on a line of credit totaling \$19.0 million.

In December 2009, NYUHC transferred \$50.0 million to the NYUSoM to support certain joint strategic programs that are expected to promote the common mission (patient care, medical education and research) of NYUHC and the NYUSoM.

In May 2010, the NYUHC has recognized a gain of \$3.2 million as a result of the Internal Revenue Service's plan to refund the employer payment and employee withholdings of FICA for medical residents for certain prior periods, plus interest. \$2.2 million is recorded as an offset to Employee Benefits expense and \$1.0 million of interest is recorded as Other Revenue in the statement of operations.

Current Activities

In March 2009, NYUHC received approval from the New York State Department of Health to create a satellite Cancer Center within NYUSoM's Queens ambulatory facility. This center opened in January 2010. The revenues of NYUSoM are not assets of NYUHC and are not available to support debt service on NYUHC's DASNY bonds. However, NYUHC anticipates that the expansion of NYUSoM's physician base will indirectly benefit NYUHC.

In November 2009, NYUHC opened a 22,000 square foot outpatient surgery center in midtown Manhattan. The center will focus on minimally invasive orthopaedic procedures. The outpatient surgery center will form the cornerstone of a new dedicated Musculoskeletal Institute which, when it opens, is anticipated to be the first stand-alone center in the United States where bone and joint patients can access clinical care and research at a single point of service.

Over the past six months, the Medical Center has recruited 49 physicians from Saint Vincent's Medical Center across various specialties, including cardiovascular, neurology, orthopedic and surgical services.

NYUHC and NYUSoM are embarking on a major initiative to implement a fully integrated, patient-centric, clinical and patient financial information system, referred to as EPIC. The parties believe the implementation of EPIC will create a more patient-centered culture which will improve outcomes and promote health and wellness. The project, estimated to take approximately four years to fully implement, began implementation this year in certain faculty group practices of NYUSoM. The NYUSoM will internally fund its portion of the cost of this implementation. NYUHC has obtained a certificate of need approval from the New York State Department of Health (“NYSDOH”) and borrowed approximately \$46.0 million from the New York State Tax-Exempt Leasing Program to fund a portion of the project. NYUHC anticipates the balance of this project will be funded by equity.

NYUHC is proceeding with its plan to improve its existing facilities and expand its services to the community. Accordingly, NYUHC has filed and received approval from the NYSDOH to renovate its Emergency Department and the elevator banks within its Tisch facility. The estimated costs for each project are \$80.0 million and \$69.0 million, respectively. Additionally, NYUHC has received approval for the construction of a Musculoskeletal Center extension clinic, which is designed to permit bone and joint patients with seamless access to clinical care at a single point of service. The estimated cost for this project is approximately \$60.0 million. All three projects have varying start and end dates for construction. Overall completion of these projects is scheduled for calendar year 2013.

In the first calendar quarter of 2010, NYUHC reviewed its financial performance and strategic plan with Moody’s Investor Services and Standard & Poor’s. As a result of those discussions, Standard & Poor’s raised its long-term rating to BBB with a stable outlook from BB+. Moody’s reaffirmed NYUHC’s rating of Baa2 but changed its outlook from stable to positive. In the second calendar quarter of 2010, Fitch Ratings has upgraded NYUHC’s long-term rating from BBB- to BBB with a positive outlook.

In June 2010, NYUHC entered into two unsecured lines of credit with two banks for an available line of credit totaling \$150.0 million. Interest is payable on funds drawn on these lines of credit at LIBOR plus 125 basis points. As of the date of this filing, no funds have been drawn on these lines of credit.

Lawsuits were filed against the Hospital, on March 24, 2010, in both New York State Court and US District Court to recover wages allegedly not paid for overtime worked, including lunch breaks and before and after scheduled hours. The lawsuits subsequently were withdrawn by plaintiff's counsel, without prejudice to refile. The lawsuits, which are similar to multiple other cases filed nationally against hospitals by the same law firm, are brought as class and collective actions on behalf of all presently employed workers covered by the Fair Labor Standards Act, and also for all such former employees within the statute of limitations, which is six years under New York State Law. If the lawsuits are refiled, the Hospital will vigorously defend the lawsuits with outside counsel. If liability were found, liability could be material.

NYU Hospitals Center
Notes to Financial Statements
As of May 31, 2010 and 2009
(Unaudited)

Note 1 – Financial Information

The financial information furnished herein is unaudited and thus is subject to change; however, in the opinion of management, the information reflects all adjustments that are necessary to fairly state the financial position of NYU Hospitals Center ("NYUHC"), and the results of its operations and changes in its unrestricted net assets for the interim periods indicated.

NYUHC presumes that users of this interim financial information have read or have access to NYUHC audited financial statements and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The Financial Statements of NYUHC for the fiscal year ended August 31, 2009 are on file with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") and the information contained therein are hereby incorporated in this Quarterly Report. Accordingly, footnotes and other disclosures that would substantially duplicate the disclosures contained in NYUHC most recent audited financial statements have been omitted. Similarly, users are directed to the Official Statement issued in connection with the Official Statement dated November 15, 2007 relating to the Dormitory Authority of the State of New York ("DASNY") NYU Hospitals Center Revenue Bonds, Series 2007B (the "Series 2007B Bonds"), also on file with the NRMSIRs, for additional information and disclosures concerning NYUHC that are not repeated in this Quarterly Report.

Patient volumes and net operating revenues are subject to seasonal variations caused by a number of factors, including, but not necessarily limited to, seasonal cycles of illness, climate and weather conditions, vacation patterns of both hospital patients and admitting physicians and other factors relating to the timing of elective hospital procedures. Quarterly operating results are not necessarily representative of operations for a full year for various reasons, including levels of occupancy and other patient volumes, interest rates, unusual or non-recurring items and other seasonal fluctuations. These same considerations apply to all year-to-year comparisons.

Note 2 – Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States applied on a basis substantially consistent with that of the August 31, 2009 audited financial statements of NYUHC. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Note 3 – Use of Estimates

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

Note 4– Reclassifications

Certain reclassifications have been made to 2009 balances previously reported in order to confirm with the 2010 presentation.

Note 5 – Retirement Plans

NYUHC provides pension and similar benefits to its employees through several plans, including various multiemployer plans for union employees, a qualified noncontributory defined benefit plan primarily for eligible nonunion employees of NYUHC and certain of its related organizations, and a nonqualified defined benefit plan for certain executives. NYUHC also provides pension and similar benefits to certain employees through a defined contribution plan.

NYUHC funds the noncontributory defined benefit plans in accordance with the minimum funding requirement of the Employee Retirement Income Security Act of 1974 (“ERISA”), plus additional amounts that NYUHC may deem appropriate from time to time. The Pension Protection Act of 2006 will require certain changes to the minimum funding requirements, among other provisions, commencing in 2008. Amounts contributed to the defined benefit plans are based on actuarial valuations. Contributions to union plans are based on union employee gross salary levels and rates required under union contractual arrangements. Contributions to NYUHC’s defined contribution plan are generally based on percentages of annual salaries.

Pension expense included in the statements of operations and changes in net assets for the nine months ending May 31, 2010 and 2009 totaled \$17.4 million and \$14.6 million, respectively.

NYU Hospitals Center
Statement of Financial Position
(Unaudited & Audited In Thousands)

	(Unaudited) May 2010	(Audited) August 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 219,814	\$ 224,222
Marketable securities	3,845	4,140
Assets whose use is limited	19,281	6,441
Assets whose use is limited - Board designated	90,150	-
Patient accounts receivable, less allowances for uncollectibles	191,376	173,813
Contributions receivable - current	56,234	43,147
Inventories	20,632	19,297
Other current assets	35,284	44,531
Total current assets	636,616	515,591
Marketable securities and other investments	19,420	16,309
Assets whose use is limited	90,303	95,787
Contribution receivable - long term	63,028	88,250
Other assets	34,921	40,232
Deferred financing costs	10,395	11,260
Property, plant and equipment, net	633,260	560,938
Total assets	\$ 1,487,943	\$ 1,328,367
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 22,356	\$ 21,017
Accounts payable and accrued expenses	115,212	116,555
Accrued salaries and related benefits	30,975	42,556
Accrued interest payable	7,449	1,597
Due to related organizations, net	55,573	8,375
Other current liabilities	41,631	38,961
Total current liabilities	273,196	229,061
Long-term debt, less current portion	459,001	437,685
Accrued pension liabilities	41,848	64,676
Accrued postretirement liabilities	51,074	47,968
Other liabilities	137,277	148,453
Total liabilities	962,396	927,843
Net assets:		
Unrestricted	367,263	233,485
Temporarily restricted	149,538	158,293
Permanently restricted	8,746	8,746
Total net assets	525,547	400,524
Total liabilities and net assets	\$ 1,487,943	\$ 1,328,367

NYU Hospitals Center
Statement Of Operations
For the Nine Months Ending May 31, 2010
(Unaudited & In Thousands)

	<u>(Unaudited)</u> <u>May 2010</u>	<u>(Unaudited)</u> <u>May 2009</u>
Operating revenue		
Net patient service revenue	\$ 1,129,304	\$ 943,611
Grants and sponsored programs	3,283	2,155
Contributions	5,851	3,210
Endowment distribution and return on short-term investments	1,138	734
Other revenue	20,203	17,423
Net assets released from restrictions for operating purposes	9,953	10,290
Total operating revenue	<u>1,169,732</u>	<u>977,423</u>
Operating expenses		
Salaries and wages	400,590	369,787
Employee benefits	112,475	102,617
Supplies and other	422,763	380,541
Depreciation and amortization	39,901	35,447
Interest	19,732	16,871
Patient care bad debt expense	21,829	20,242
Total operating expenses	<u>1,017,290</u>	<u>925,505</u>
Gain from operations	152,442	51,918
Other items		
Equity investment return - CCC550	3,969	3,684
Support to NYUSoM	(50,000)	-
Investment return less endowment distribution, net	555	(8,707)
Excess of revenue over expenses	<u>106,966</u>	<u>46,895</u>
Other changes in unrestricted net assets		
Changes in pension & postretirement obligations	9,795	(45,175)
Contributions for capital asset acquisitions	887	-
Net assets released from restrictions for capital purposes	16,930	7,086
Transfer to NYUSoM	(800)	(2,900)
Net change in unrestricted net assets	<u>\$ 133,778</u>	<u>\$ 5,906</u>

NYU Hospitals Center
Statement of Changes in Net Assets
(In Thousands)

	(Unaudited)				(Audited)			
	For The Nine Months Ended May 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	\$ 233,485	\$ 158,293	\$ 8,746	\$ 400,524	\$ 172,894	\$ 163,178	\$ 8,762	\$ 344,834
Excess of revenue over expenses	106,966	-	-	106,966	99,910	-	-	99,910
Net assets released from restrictions for operations	-	(9,953)	-	(9,953)	-	(10,300)	-	(10,300)
Net assets released from restrictions for capital	16,930	(16,930)	-	-	8,440	(8,440)	-	-
Change in pension and postretirement plans	9,795	-	-	9,795	(44,859)	-	-	(44,859)
Gifts, bequests and other items	-	18,128	-	18,128	-	13,855	(16)	13,839
Transfer of Equity to SoM	(800)	-	-	(800)	(2,900)	-	-	(2,900)
Contributions for capital asset acquisitions	887	-	-	887	-	-	-	-
Total change in net assets	<u>133,778</u>	<u>(8,755)</u>	<u>-</u>	<u>125,023</u>	<u>60,591</u>	<u>(4,885)</u>	<u>(16)</u>	<u>55,690</u>
Net assets at end of period	<u>\$ 367,263</u>	<u>\$ 149,538</u>	<u>\$ 8,746</u>	<u>\$ 525,547</u>	<u>\$ 233,485</u>	<u>\$ 158,293</u>	<u>\$ 8,746</u>	<u>\$ 400,524</u>

NYU Hospitals Centers
Statement of Cash Flows
(Unaudited & Audited In Thousands)

	<u>(Unaudited)</u> <u>May 2010</u>	<u>(Audited)</u> <u>August 2009</u>
Cash flows from operating activities		
Change in net assets	\$ 125,023	\$ 55,690
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	39,901	42,666
Net (gain) and loss on investments	(515)	11,902
Bad debt expense	21,829	26,490
Gain on disposal of property, plant and equipment	-	3,456
Pension and postretirement obligation change	(9,795)	44,859
Changes in operating assets and liabilities		
Increase in patient accounts receivable	(39,392)	(61,568)
Decrease in contributions receivable	12,135	20,684
Increase in accounts payable and accrued expenses	(1,343)	13,815
(Decrease) increase in accrued salaries and related liabilities	(11,581)	3,391
Increase (decrease) in accrued interest payable	5,852	(5,567)
Increase (decrease) in due to/from related organizations	47,198	(3,515)
(Decrease) increase in other operating liabilities	(18,433)	56,141
Decrease (increase) in other operating assets	13,223	(32,171)
Net cash provided by operating activities	<u>184,102</u>	<u>176,273</u>
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(111,358)	(136,032)
Changes in investments, net	(2,301)	34,505
Changes in assets limited as to use	(97,506)	33,109
Net cash used in investing activities	<u>(211,165)</u>	<u>(68,418)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	65,142	-
Principal payments on bonds and notes payable	(42,487)	(20,006)
Net cash provided by financing activities	<u>22,655</u>	<u>(20,006)</u>
Net (decrease) increase in cash and cash equivalents	(4,408)	87,849
Cash and cash equivalents		
Beginning of year	224,222	136,373
End of year	<u>\$ 219,814</u>	<u>\$ 224,222</u>
Supplemental information		
Cash paid for interest	\$ 13,880	\$ 28,347

**NYU Hospitals Center
Utilization Statistics
For the Nine Months Ending May 31, 2010**

	<u>May 2010</u>	<u>May 2009</u>
Total Inpatient Discharges	30,870	30,391
Less Routine Newborn	3,059	3,137
Discharges (Excluding Routine Newborn)	<u>27,811</u>	<u>27,254</u>
Total Patient Days	171,952	170,293
Less Routine Newborn	7,306	7,630
Patient Days (Excluding Routine Newborn)	<u>164,646</u>	<u>162,663</u>
Average Length of Stay	5.9	6.0
Total Case Mix Index	1.94	1.88
Percent of Occupancy	81%	77%
ER Visits (excluding admits)	22,576	21,427
Cancer Center Visits	129,976	120,431
Ambulatory Surgery and Other Outpatient Visits	317,758	307,834

NYU Hospitals Center
Payor Mix by Discharges (Excluding Routine Newborn)
For the Nine Months Ending May 31, 2010

	<u>May 2010</u>		<u>May 2009</u>	
Medicare	10,763	39%	10,156	37%
Medicaid	2,676	10%	2,373	10%
Blue Cross	4,441	16%	4,452	16%
Managed Care	8,835	31%	9,251	33%
Commercial & Other	867	3%	808	3%
Self-Pay	229	1%	214	1%
Total	<u>27,811</u>	<u>100%</u>	<u>27,254</u>	<u>100%</u>