

NEW YORK MEDICAL COLLEGE

POLICY ON TAX-EXEMPT QUALIFIED 501 (c) (3) BONDS TAX COMPLIANCE

Date: December 13, 2013

Supersedes: None

I. Purpose

New York Medical College (the "Institution") has financed the acquisition, construction and improvements to many of its facilities and other capital projects with the proceeds of tax-exempt bonds. Because bondholders do not pay federal income tax on the interest received on such bonds, they are generally willing to accept a lower interest rate than if the bonds were issued on a taxable basis. Tax-exempt bonds thus provide the Institution with the ability to finance many of its capital projects at a greatly reduced cost.

For bonds to qualify for tax-exempt status, many detailed rules set forth in the Internal Revenue Service Code and Treasury Regulations must be satisfied, which, in particular, place restrictions on "arbitrage" and "private business use." When bonds are issued, outside bond counsel is engaged to review and confirm compliance with these rules as of the issue date. Many rules, however, continue to apply throughout the entire term of the bond issue. The Institution has accepted the responsibility of maintaining compliance with these rules following the issue date in order to meet its obligations under federal tax law and various contracts in order to preserve the important benefits associated with tax-exempt financing. If the Institution fails to comply with these rules, it may be found in default and substantial penalties and negative reputational consequences may result. Set forth below is the policy and procedure that the Institution will follow to maintain compliance with the federal tax rules relating to tax-exempt bonds to ensure that interest on tax-exempt qualified 501(c) (3) bonds, the proceeds of which are used by the Institution (the "Bonds") remains excludable from gross income under Section 103 of the Internal Revenue Code of 1986 (the "Code"). The Guidelines are intended to formally memorialize certain procedures of the Institution previously adopted or followed in connection with its issuance of the Bonds.

II. Ongoing Relationship with Outside Advisors

The Institution maintains an ongoing relationship with Bond Counsel and other advisors to serve as a resource for education and advice regarding the Bonds' compliance with Applicable Federal Tax Law.

III. Persons Responsible for Tax Compliance

The Senior Vice President for Finance and Chief Financial Officer of the Institution (the "Designated Tax Compliance Officer") is the primary person to consult

with the Institution's Vice President and General Counsel, Bond Counsel and other advisors on a continual basis for the entire term of the Bonds.

In general, the Designated Tax Compliance Officer has the primary responsibility to ensure compliance with the Applicable Federal Tax Law relating to all Bonds. As described in this Policy, such compliance relates to the expenditure and investment of proceeds of Bonds ("Bond Proceeds"), the use or sale of the assets financed or refinanced with Bond Proceeds (the "Bond-financed Assets"), record-keeping and filing requirements. The Designated Tax Compliance Officer or his or her designee shall review the tax document signed by the Institution that outlines the Applicable Federal Tax Law affecting the Bonds (the "Tax Certificate"). The Tax Certificate is included as part of the closing documents for the Bonds.

IV. Expenditures of Bond Proceeds

A. Expenditure of Bond Proceeds - In General.

Expenditure of bond proceeds will be reviewed by the Designated Tax Compliance Officer in accordance with established internal procedures. Requisitions must identify the financed property in conformity with the "TEFRA" public approval for the bonds and the tax certificate executed by the College at closing, including certifications as to the character and average economic life of the applicable bond-financed property.

Upon the issuance of any issue of new money Bonds, the Institution must reasonably expect to spend at least 85% of all Bond Proceeds that are expected to be used to finance capital improvements (excluding proceeds in a reserve fund or for any non-project purpose) within 3 years of issuance. Other limitations or adjustments may be set out in the Tax Certificate. The Institution must also have incurred or reasonably expect to incur, within six months after issuance of the Bonds, binding obligations to unrelated parties involving an expenditure of not less than 5% of such amount of Bond Proceeds, and to proceed with due diligence to complete the project and full spend Bond Proceeds. Meeting all these requirements will allow the project-related Bond Proceeds to be invested at an unrestricted investment yield for three years from the date of issue. See Section VII of this Policy for rebate and rebate exceptions.

B. Assignment of Responsibility and Establishment of Calendar

On the date of issuance of any Bond, the Designated Tax Compliance Officer or his or her designee will identify for that Bond issue:

- The funds and/or accounts into which Proceeds are deposited.
- The types of expenditures expected to be made with the Proceeds deposited into those funds and/or accounts and any expenditures prohibited from being made from such funds and/or accounts.

- The dates by which Proceeds described in Section IV. A. of this Policy must be spent or become subject to arbitrage yield limitations ("Expenditure Deadlines") and all interim dates by which funds and/or accounts must be checked to ensure compliance with the applicable Expenditure Deadlines.

C. Expenditure Failures

If the Designated Tax Compliance Officer discovers that an Expenditure Deadline has not been met, said person will consult with the entity that issued the Bonds (the "Issuer"), the Institution's Vice President and General Counsel, and if necessary, Bond Counsel to determine the appropriate course of action with respect to such unspent Proceeds. Special action may need to be taken with such unspent Proceeds, including yield restriction, or redemption of Bonds.

D. Final Allocation

Requests for expenditures will be summarized in a final allocation of Proceeds ("Final Allocation") in a manner consistent with allocations made to determine compliance with arbitrage yield restriction and rebate requirements (See Section VII of this Policy). The Final Allocation will memorialize the assets or portion thereof financed with Bond Proceeds and the assets or portion thereof financed with other funds.

The Final Allocation must occur not later than 18 months after the date of the expenditure or 18 months after the date the facility to which the expenditure relates is completed and actually operating at substantially the level for which it was designed but in all events not later than 60 days after the end of the fifth year after issuance of the Bonds (or 60 days after none of the Bonds are outstanding, if earlier).

The Designated Tax Compliance Officer or his or her designee will be responsible for ensuring that such Final Allocation is made for the Bonds.

F. Records of Expenditures

The Designated Tax Compliance Officer or his or her designee is responsible for maintaining records related to the expenditure of Bond Proceeds including records:

- Identifying all of the assets or portion of assets financed with Bond Proceeds.
- Relating to requests for Bond Proceeds, construction contracts, purchase orders, invoices, and payment records.
- Relating to costs reimbursed with Bond Proceeds.
- Relating to any action taken as a result of a failure to meet the Expenditure Deadlines.
- The Final Allocation and all supporting documentation.

Such records will be retained for the life of the Bonds, plus any refunding bonds, plus three years and may be in the form of documents or electronic copies of documents, appropriately indexed to specific Bond issues and compliance functions.

Expenditure of proceeds should be measured against the tax certificate expectation, including certifications as to the character and average economic life of the applicable bond-financed property, to spend or commit 5% of net sale proceeds within 6 months, to spend 85% of net sale proceeds within 3 years, and to proceed with due diligence to complete the project and fully spend the net sale proceeds. Expenditure of bond proceeds will be reviewed by the Designated Tax Compliance Bond Officer or his/her designee in accordance with established internal procedures.

The Designated Tax Compliance Bond Officer is responsible for ensuring that, for each bond-financed project, bond proceeds (and equity or taxable debt proceeds, if applicable) are allocated to expenditures for the project in a manner that can be documented (e.g., through requisitions, invoices and canceled checks), and to prepare an allocation certificate that summarizes the total expenditures of bond proceeds and equity or taxable debt proceeds on the project, and that allocates the equity or taxable debt to any private business uses of the project. The format of this allocation will conform to the use of proceeds reports on Schedule K of Form 990 with further detail to identify amounts spent on different properties.

V. Project Use Requirements

A. In General

All of the property financed by the Bonds must be owned by the Institution. At least 95% of the “net proceeds” of the Bonds must be used in a manner which is related to the exempt purpose(s) of the Institution. Accordingly, no more than the lesser of 5% or \$15 million of the net proceeds of the Bonds may be used for a Private Business Use (as hereinafter defined) or an unrelated trade or business use of the Institution as further provided in the Tax Certificate. For this purpose, “net proceeds” means the sale proceeds of the Bonds less amounts deposited in a reasonably required reserve fund. Importantly, cost of issuance paid with proceeds of the Bonds (as further described in below) are included as part of the 5% permissible “bad money” portion of the Bonds. Costs of issuance includes underwriter’s discount, rating agency fees, bond counsel fees, institution counsel, trustees fees and similar costs incurred in connection with the issuance of the Bonds. Under applicable tax law, costs of issuance may be financed with up to 2% of the proceeds of the Bonds. Accordingly, after the payment of costs of issuance with proceeds of the Bonds, the remaining permissible bad money portion of the Bonds is often no more than 3%. For this purpose "Private Business Use" generally means use of the Bond-financed Assets in a trade or business by a business entity (e.g., a corporation or partnership) or the Federal government (a “Private User”). Private Business Use will also arise if the Bond-financed Assets are used in an unrelated trade or business by the Institution or another Section 501(c) (3) organization. Private Business Use will arise from the lease or sale of the Bond-financed Assets to a Private User.

Subject to the following, Private Business Use will generally arise through a contract whereby a Private User manages, operates or provides services with respect to Bond-financed Assets (a "Management Contract"). However, Management Contracts that meet certain requirements described in IRS Revenue Procedure 97-13 do not give rise to Private Business Use (the "97-13 Safe Harbors"). Private use may also arise as a result of the Institution entering an agreement (a "Research Agreement") to engage in research in bond-financed space, if such research is sponsored by a Private User. Similarly, Research Agreements that meet certain requirements described in IRS Revenue Procedure 2007-47 do not give rise to Private Business Use (the "2007-47 Safe Harbors").

B. Monitoring of Private Business Use

Before the Institution enters into an arrangement that may give rise to private business use, the arrangement must first be reviewed to make sure that it would not cause a violation of the private business use rules. The types of proposed arrangements that must be reviewed include but are not limited to, sales and other conveyances of real property, leases, management and service contracts, certain research agreements, potential trades or businesses, partnerships and joint ventures and naming rights agreements. These types of proposed arrangements must be submitted for review by the Designated Tax Compliance Officer, who will review the proposed arrangement and determine either that (1) no private business use would arise from the proposed arrangement, or (2) if he/she believes that private business use would arise under the arrangement as proposed, recommend appropriate corrective steps to promote the best interests of the Institution. Such steps may include: requiring that the arrangement be modified to eliminate the private business use (for example, by fitting the arrangement within IRS "safe harbor" guidance); taking "remedial action" as permitted under the Treasury Regulations to cure any private business use resulting from the arrangement; re-allocating the sources of funding of the facility at issue to the extent permitted by the Treasury Regulations; or determining that the amount of private business use generated by the arrangement is immaterial and will not cause the applicable limitation on private business use to be exceeded.

For each Bond-financed Asset, the Designated Tax Compliance Officer or his or her designee will determine the expected use of such asset and whether such Bond-financed Asset is or will be subject to any contracts that may give rise to Private Business Use.

The Designated Tax Compliance Officer or his or her designee will inform the persons responsible for the management and operation of the Bond-financed Asset ("Asset Managers") of the Private Business Use and Private Loan restrictions relating to the Bond-financed Asset.

The Designated Tax Compliance Officer or his or her designee will require Asset Managers to submit any Management Contract with respect to any portion of Bond-financed Assets for his or her review prior to entering such Management Contract. The Designated Tax Compliance Officer or his or her designee will forward such

Management Contract to the Institution's Vice President and General Counsel, Bond Counsel or to other capable advisors to determine whether such Management Contract complies with the 97-13 Safe Harbors.

The Designated Tax Compliance Officer or his or her designee will require the person responsible for the performance of research under any Research Agreement to submit any Research Agreement to be performed with or within a Bond-financed Asset for his or her review prior to entering such Research Agreement. The Designated Tax Compliance Officer or his or her designee will forward such Research Agreement to the Institution's Vice President and General Counsel, Bond Counsel or to other capable advisors to determine whether such Management Contract compliance with the 2007-47 Safe Harbors.

No Bond-financed Asset will be sold, leased or transferred by the Asset Managers without prior approval by the Institution's Vice President and General Counsel, Bond Counsel and the Designated Tax Compliance Officer.

The Designated Tax Compliance Officer or his or her designee will meet at least annually with Asset Managers to identify and discuss any existing or planned use of Bond-Financed Assets that may give rise to Private Business Use.

C. Consultation with Outside Advisors

The Institution acknowledges that certain refinements, interpretations and exceptions apply to the analysis of Private Business Use. Bond Counsel and other qualified advisers should be engaged by the Institution's Vice President and General Counsel and consulted to review contracts or other information relating to such use of Bond-financed Assets. In addition, the Final Allocation of Bond Proceeds (see subsection IV. D above) may affect the Private Business Use.

D. Identification and Correction of Violations

In the event the use of Bond Proceeds or Bond-financed Assets is different from the covenants and representations set forth in the Arbitrage Certificate, the Designated Tax Compliance Officer shall inform the Institution's Vice President and General Counsel and contact the Issuer and Bond Counsel in a timely manner to ensure that there is no adverse effect on the tax status of the Bonds. Various remedies are available to the Issuer and the Institution in the event certain tax violations on the limits of use of Bond Proceeds, the investment of Bond Proceeds, and the use of the Bond-financed Assets. For example, a change in the use of the Bond-financed Assets after the issuance of the Bonds that results in excessive Private Business Use may be corrected through a 'remedial action' that is described in the Treasury Regulations. Such remedial actions include a defeasance of the portion of the Bonds affected by the excessive Private Business Use. Other actions (or inaction) that potentially adversely affect the status of the Bonds may be corrected through the Voluntary Closing Agreement Program described in IRS Notice 2008-31.

E. Record Keeping Requirements

The Designated Tax Compliance Officer or his or her designee will keep copies of all Management Contracts, arrangements involving the lease, management, sale, operation, service or other use of all Bond-financed Assets as well as copies of all Research Agreements with respect to Bond-financed Assets. Such records will be retained for the life of the Bonds, plus any refunding bonds, plus three years and may be in the form of documents or electronic copies of documents, appropriately indexed to specific Bond issues and compliance functions.

VI. Investment of Proceeds

A. In General

Prior to being spent, bond proceeds must be invested in a manner that will establish fair market value for federal tax purposes, in order to maintain compliance with the rebate and arbitrage yield restriction rules. The rules for establishing fair market value are summarized in the tax certificates executed by the Institution at the time of issuance of each bond issue

On the date of issue of any Bond the Designated Tax Compliance Officer or his or her designee will identify for that obligation:

- All of the funds and/or accounts into which Proceeds are deposited and the applicable yields at or below which such funds and/or accounts must be invested.
- Any funds and/or accounts that are not directly funded with Proceeds which must be invested at or below the yield on the obligations.

The Designated Tax Compliance Officer or his or her designee will ensure that the investment of Proceeds is in compliance with the applicable yield restrictions contained in the Treasury Regulations.

The Designated Tax Compliance Officer or his or her designee will obtain regular, periodic (monthly) statements regarding the investments and transactions involving Proceeds.

The Designated Tax Compliance Officer or his or her designee will keep all records with respect to investments, including:

- United States Treasury Securities-State and Local Government Series (“SLGs”) subscription information.
- The solicitation and all responses received from the bidding of any Government Obligations.

- Records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

VII. Arbitrage Yield and Rebate

A. In General

Federal tax law requires the Institution (through the bond issuer) to "rebate" to the federal government any amounts earned from the investment of bond proceeds at a yield in excess of the bond yield, unless an exception applies. The Designated Tax Compliance Officer or his or her designee will be responsible for the calculation of rebate on a prompt basis. In order to assist in such calculation, the Designated Tax Compliance Officer may engage the services of an arbitrage rebate services provider. In the event that an arbitrage rebate service provider is engaged, statements regarding investments and transactions involving Bond Proceeds and other requested documents and information should be timely provided to the arbitrage rebate service provider.

The Designated Tax Compliance Officer will assure compliance with required rebate payments, if any, or, if a rebate service provided is engaged, monitor the arbitrage rebate service provider to assure compliance with required rebate payments, if any. Any arbitrage rebate payments need to be paid no later than the fifth year after issuance and each 5-year period thereafter through the term of the Bonds. A final rebate payment must be made within 60 days of the final maturity or redemption date of the issue. The Arbitrage Certificate or tax covenants in other documents may set forth how frequently rebate calculations must be performed.

During the construction period of a capital project, the investment and expenditure of Bond Proceeds are to be monitored and, if applicable, the arbitrage rebate service provider consulted, to determine whether the Institution is meeting any spending exception. Available spending exceptions are in periods of 6 months, 18 months and 2 years (for construction only), with the 18-month and 2-year exception subject to 6-month internal benchmarks. See the Tax Certificate for more details regarding the spending exceptions.

In the event that a rebate payment is due, the Designated Tax Compliance Officer or his or her designee will ensure that such rebate payment is accompanied by a Form 8038-T.

The Designated Tax Compliance Officer or his or her designee will retain copies of all arbitrage reports, related return filings with the Internal Revenue Service, and copies of cancelled checks with respect to any rebate payments and information statements. Such records will be retained for the life of the Bonds, plus any refunding bonds, plus three years and may be in the form of documents or electronic copies of documents, appropriately indexed to specific Bond issues and compliance functions.

VIII. On-Going Education

The Institution will continue to consult regularly with inside and outside counsel and tax professionals regarding federal tax rules applicable to its outstanding tax-exempt debt, as well as changes to these laws. On-going education will also involve guest speakers, webinars and conference attendance, as well as continuing legal and accounting education courses. Applicable policies and procedures will be updated by the Institution to reflect such changes on an as needed basis.

IX. Violation of This Policy

Any violation of this Policy or failure to comply with its provisions may result in disciplinary action.

Approved by the Audit Committee of the Board of Trustees and by the Board of Trustees on December 18, 2013.