NEW ISSUE
Book-Entry Only

RATINGS*:
Moody's: A2 (insured)
S&P: AA (insured)
Moody's: Baa2 (uninsured)

In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, interest on the Series 2020 will be included in gross income for federal income tax purposes and in taxable income for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers). See "TAX MATTERS" in herein.

$300,000,000
WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS, SERIES 2020 (TAXABLE)
(WESTCHESTER MEDICAL CENTER OBLIGATED GROUP PROJECT)

3.846% Bonds Due November 1, 2050, Price 100%, Yield 3.846%, Cusip No. 95737TEK8†

Dated: Date of Delivery

On the issuance date, the Westchester County Local Development Corporation (the "Issuer") will issue its $300,000,000 aggregate principal amount of Revenue Bonds, Series 2020 (Taxable) (Westchester Medical Center Obligated Group Project) (the "Series 2020 Bonds"). The Series 2020 Bonds are issuable only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only form in the denominations of $5,000, or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2020 Bonds. Interest on the Series 2020 Bonds is payable on each May 1 and November 1, commencing November 1, 2020. So long as Cede & Co. is the registered owner of the Series 2020 Bonds, payments of principal or redemption price of and interest on the Series 2020 Bonds are required to be made to Beneficial Owners by DTC through its participants. See "THE SERIES 2020 BONDS – Book-Entry Only System" herein.

The Series 2020 Bonds are issued pursuant to a Trust Indenture, dated as of September 1, 2020 (the "Indenture"), by and between the Issuer and U.S. Bank National Association, as bond trustee (the "Trustee"). The proceeds of the Series 2020 Bonds will be loaned by the Issuer to Westchester County Health Care Corporation (the "Corporation") and applied by the Corporation as described herein.

The Series 2020 Bonds will be secured by (a) certain funds and accounts established under the Indenture; and (b) the Series 2020 Obligation (the "Series 2020 Obligation") issued under the Master Trust Indenture, dated as of November 1, 2000, as amended and supplemented (the "Master Indenture"), by and among Members of the Obligated Group (the Corporation is currently the only Member of the Obligated Group) and U.S. Bank National Association, as successor master trustee (the "Master Trustee"), as supplemented by and through the Fifteenth Supplemental Indenture, dated as of September 1, 2020, described herein (the "Supplemental Indenture") by and among the Members of the Obligated Group and the Master Trustee. The Series 2020 Obligation and the other Outstanding Obligations issued under the Master Indenture are additionally secured by a pledge of the Gross Receipts of the Obligated Group and mortgages (collectively, the "Mortgage") on the Corporation's (i) leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between the County of Westchester and the Corporation (the "Lease Agreement") and (ii) fee interest in MidHudson Regional Hospital in Poughkeepsie, New York, with all proceeds realized from the Mortgage to be applied proportionally and ratably to all Obligations issued under the Master Indenture.

The scheduled payment of principal of and interest on the Series 2020 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2020 Bonds by ASSURED GUARANTY MUNICIPAL CORP.

AN INVESTMENT IN THE SERIES 2020 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE SERIES 2020 BONDHOLDER IS ADVISED TO READ THE ENTIRE OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO THE SECTIONS ENTITLED "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS" AND "CERTAIN BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2020 BONDS.

THE SERIES 2020 BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER NOR A DEBT OR INDEBTEDNESS OF WESTCHESTER COUNTY OR THE STATE OF NEW YORK AND NEITHER WESTCHESTER COUNTY, NOR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE. THE ISSUER HAS NO TAXING POWER.

The Series 2020 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity, including redemption and purchase at par under certain circumstances, as described herein under "THE SERIES 2020 BONDS" herein.

Interest, redemption price and profit, if any, on the sale of the Series 2020 Bonds, are not excludable from gross income for federal or state income tax purposes. See "TAX MATTERS" herein.

The Series 2020 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approving opinion of Katten Muchin Rosenman LLP, New York, New York, as Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its special counsel, BurgherGray LLP; for the Corporation by its General Counsel, Julie Switzer, Esq.; and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York. It is expected that the Series 2020 Bonds will be available for delivery in definitive form to DTC in New York, New York on or about September 3, 2020.

Barclays

Academy Securities **Loop Capital Markets**

Siebert Williams Shank & Co., LLC **TD Securities**

Dated: August 27, 2020

* See "RATINGS" herein.

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No dealer, broker, salesperson or other person has been authorized by the Issuer, the Corporation, DTC, or the Underwriters to give any information or to make any representations with respect to this offering, other than those contained in this Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Corporation since the date hereof.

The Issuer makes no representation with respect to the information in this Offering Memorandum, other than under the headings "INTRODUCTORY STATEMENT – The Issuer", "THE ISSUER" and "LITIGATION – The Issuer".

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2020 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE SERIES 2020 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

This Offering Memorandum contains a general description of the Series 2020 Bonds, the Issuer, the Corporation, and the plan of financing, and sets forth certain provisions of the Indenture, the Loan Agreement, the Master Indenture and the Supplemental Indenture. The description and summaries herein do not purport to be complete. Persons interested in purchasing the Series 2020 Bonds should review carefully the Appendices attached hereto as well as copies of such documents, which are held by the Trustee at its principal office. A wide variety of other information, including financial information, concerning the Corporation is available from publications, the website of the Corporation and other sources. Any such information that is inconsistent with the information set forth in this Offering Memorandum should be disregarded. No such information is a part of or incorporated into this Offering Memorandum, except as expressly noted herein.

The Underwriters have provided the following sentence for inclusion in this Offering Memorandum. The Underwriters have reviewed the information in this Offering Memorandum in accordance with, and as part of, their respective 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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2020 Bonds or the advisability of investing in the Series 2020 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Offering Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and in APPENDIX G – "Specimen Municipal Bond Insurance Policy."

Under no circumstances shall the delivery of this Offering Memorandum or any sale made after its delivery create any implication that the affairs of the Issuer or the Corporation have remained unchanged after the date of this Offering Memorandum.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Offering Memorandum for purposes of, and as that term is defined in, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 by the Securities and Exchange Commission.

The order and placement of materials in this Offering Memorandum, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Offering Memorandum, including the Appendices, must be considered in its entirety.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFERING MEMORANDUM

Certain statements included or incorporated by reference in this Offering Memorandum constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used such as "may," "believe," "will," "expect," "project," "intend," "estimate," "anticipate," "plan," "continue," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under "PLAN OF FINANCE" and "CERTAIN BONDHOLDERS' RISKS" in the forepart of this Offering Memorandum and the statements under the heading "FINANCIAL HISTORY OF THE CORPORATION" and "MANAGEMENT'S DISCUSSION OF OPERATIONS" herein in APPENDIX A to this Offering Memorandum. The forward looking statements contained in this Offering Memorandum are based on the current plans and expectations of the Corporation and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the control of the Corporation, that could significantly affect current plans and expectations and the Corporation's future financial position and results of operations. These risk factors include, but are not limited to, (i) the highly competitive nature of the health care business, (ii) the efforts of insurers, health care providers and others to contain health care costs, (iii) possible changes in the Medicare and Medicaid programs that may affect payments to health care providers and insurers, (iv) changes in federal, state or local regulations affecting the health care industry, (v) the implementation of health care reform, (vi) the ability to attract and retain qualified management and other personnel, including affiliated physicians, nurses and medical support personnel, (vii) liabilities and other claims asserted against the Corporation, (viii) changes in accounting standards and practices, (ix) changes in general economic conditions, (x) future divestitures or acquisitions which may result in additional changes, (xi) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms, (xii) the availability and terms of capital to fund expansion plans of the Corporation and to provide for ongoing capital expenditure needs, (xiii) changes in business strategy or development plans, (xiv) delays in receiving payments, (xv) the ability to implement shared services and other initiatives and realize decreases in administrative, supply and infrastructure costs, (xvi) the outcome of pending and any future litigation, (xvii) the Corporation's continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures relating to their status as tax-exempt organizations as well as their ability to comply with the requirements of the Medicare and Medicaid programs, (xviii) the ability to achieve expected levels of patient volumes and control the costs of providing services, (xix) results of reviews of the Corporation's cost reports, (xx) the Corporation's ability to comply with recently enacted legislation and/or regulations, and (xxi) pandemics, including but not limited to COVID-19, epidemics and natural disasters. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward looking statements made by or on behalf of the Corporation. Investors are cautioned not to unduly rely on such forward looking statements when evaluating the information presented in this Offering Memorandum.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks; uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The Corporation does not plan to issue any updates or revisions to those forward-looking statements if or when changes in its expectations, or events, conditions or circumstances on which such statements are based, occur.

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OFFERING MEMORANDUM

Relating to:

$300,000,000
WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS, SERIES 2020 (TAXABLE)
(WESTCHESTER MEDICAL CENTER OBLIGATED GROUP PROJECT)

INTRODUCTORY STATEMENT

Purpose of this Offering Memorandum

This Offering Memorandum, including the front cover page, inside cover page and appendices, provides certain information with respect to the issuance and sale by the Westchester County Local Development Corporation (the "Issuer") of $300,000,000 aggregate principal amount of its Revenue Bonds, Series 2020 (Taxable) (Westchester Medical Center Obligated Group Project) (the "Series 2020 Bonds"). The Series 2020 Bonds are to be issued by the Issuer under a Trust Indenture, dated as of September 1, 2020 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Certain capitalized terms used herein are defined in APPENDIX C or D, as applicable.

Purpose of the Issue

The proceeds of the Series 2020 Bonds, together with other available funds, will be used (i) for general corporate purposes; (ii) to refund all of the Corporation's Revenue Bonds, Series 2000A - Senior Lien outstanding in the amount of $108,170,000 (the "Series 2000A Bonds"), the Corporation's Revenue Bonds, Series 2010C-2 (Tax-Exempt) – Senior Lien outstanding in the amount of $3,615,000 (the "Series 2010C-2 Bonds"), the Corporation's Revenue Bonds, Series 2010D (Taxable) – Senior Lien outstanding in the amount of $57,280,000 (the "Series 2010D Bonds"); the Corporation's Revenue Bonds, Series 2011A (Tax-Exempt) – Senior Lien outstanding in the amount of $47,275,000 (the "Series 2011A Bonds"), the Corporation's Revenue Bonds, Series 2011B (Tax-Exempt) – Senior Lien outstanding in the amount of $15,295,000 (the "Series 2011B Bonds" and, collectively with the Series 2000A Bonds, the Series 2010C-2 Bonds, the Series 2010D Bonds and the Series 2011A Bonds, the "Refunded Bonds"); (iii) to fund capitalized interest in connection with the Series 2020 Bonds; and (iv) to pay costs related to the issuance of the Series 2020 Bonds (collectively, the "Project"). See "THE PLAN OF FINANCE" herein and in APPENDIX A hereto.

See "THE PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Issuer

The Issuer is a not-for-profit local development corporation formed under Article 14 of the New York Not-For-Profit Corporation Law (the "Act") and is authorized and empowered under the Act to issue the Series 2020 Bonds for the purposes described in this Offering Memorandum. See "THE ISSUER" herein.

The Corporation

The Westchester County Health Care Corporation (the "Corporation") is a public benefit corporation of the State, created in 1997 for the purpose of assuming operation of the County of Westchester's (the "County") Department of Hospitals, including the Westchester County Medical Center (the "Medical Center"). The Corporation's primary purpose is the operation of WMC. See "THE CORPORATION" herein and APPENDIX A hereto.

The Obligated Group

The Corporation is currently the only Member of the Obligated Group created pursuant to the Master Trust Indenture, dated as of November 1, 2000, as amended and supplemented (the "Master Indenture"), between the Corporation and U.S. Bank National Association, as successor Master Trustee (the "Master Trustee"), and the Fifteenth Supplemental Indenture, dated as of September 1, 2020 (the "Supplemental Indenture"). Under certain conditions set forth in the Master Indenture, Persons which are not Members of the Obligated Group may, with the consent of the Corporation, and corporations which are successor corporations to any Member of the Obligated Group may, become Members of the Obligated Group, and Members of the Obligated Group, with the consent of the Corporation, may, upon compliance with certain requirements of the Master Indenture, withdraw from the Obligated Group. The Corporation may not withdraw from the Obligated Group. See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" herein.

The Corporation the sole member and active parent of HealthAlliance of the Hudson Valley ("HealthAlliance") with hospitals in Ulster and Delaware Counties. Although the Corporation's financial statements include the related entities of HealthAlliance, the Corporation is the only Member of the Obligated Group. See Appendix A – "Information Regarding Westchester County Health Care Corporation" for more information on HealthAlliance.

Payment and Security for the Series 2020 Bonds

The Series 2020 Bonds and any Additional Bonds that may be issued under the Indenture are special and limited obligations of the Issuer, equally and ratably payable solely from payments to be made by the Corporation pursuant to the Loan Agreement, dated as of September 1, 2020 (the "Loan Agreement"), by and between the Issuer and the Corporation.

As security for the Bondholders, the Corporation, as sole Member of the Obligated Group, has entered into the Supplemental Indenture and has issued the Series 2020 Obligation (the "Series 2020 Obligation"), under the Master Indenture and the Supplemental Indenture, as security for the Series 2020 Bonds. The Series 2020 Obligation is further secured by a Gross Receipts pledge under the Master Indenture and the Mortgage (as defined in the Master Indenture) on the principal inpatient hospital campuses and certain other facilities of the Corporation.

The Master Indenture

The Master Indenture authorizes the issuance, from time to time, of Obligations or a Series of Obligations, each such Obligation or Series of Obligations to be authorized by a separate Supplemental Indenture. The issuance of Obligations is subject to the satisfaction of certain financial covenants set forth in the Master Indenture which binds all Members of the Obligated Group as described in "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS - The Master Indenture - Obligations under the Master Indenture" herein and "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

The Mortgage

The Series 2020 Obligation and the other Outstanding Obligations issued under the Master Indenture are additionally secured by mortgages (collectively, the "Mortgage") on the Corporation's (i) leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between the County and the Corporation (the "Lease Agreement") of real property upon which the facilities constituting the Health Care Facilities of WMC are located, and (ii) fee interest in the Health Care Facilities at MidHudson Regional Hospital in Poughkeepsie, New York, with all proceeds realized from the Mortgage to be applied proportionately and ratably to all Obligations issued under the Master Indenture. The Lease Agreement permits the Corporation, under certain circumstances, to assign, mortgage, pledge or otherwise encumber such leasehold interest. The Mortgage permits the Corporation, under certain circumstances, to obtain a release of a portion of the mortgaged property, other than the improvements constituting the Health Care Facilities of WMC, from the lien of the Mortgage. The Master Indenture provides that the Members of the Obligated Group will not permit the existence of any Lien on Property

owned or acquired by it other than the Mortgage and Permitted Liens. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS – The Master Indenture" and "APPENDIX D – Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

Bond Insurance

The scheduled payment of principal of and interest on the Series 2020 Bonds when due will be guaranteed under a Municipal Bond Insurance Policy (the "Policy") to be issued concurrently with the delivery of the Series 2020 Bonds by Assured Guaranty Municipal Corp (the "Insurer"). See "BOND INSURANCE" and APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY." As a condition to issuing the Policy, the Insurer has requested that the Obligated Group comply with certain financial covenants contained in the Indenture and Supplemental Indenture. See APPENDIX D – "Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture – Supplemental Indenture – Additional Covenants and Provisions Related to the Series 2020 Bonds" and APPENDX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Provisions Regarding the Bond Insurer."

Existing Indebtedness

As of December 31, 2019, the Corporation had outstanding $641,743,190 of indebtedness evidenced by obligations under the Master Indenture. That amount consists of (i) $108,170,000 aggregate principal amount of the Series 2000A Bonds; (ii) $37,390,000 aggregate principal amount of the Corporation's Revenue Bonds, Series 2010A (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (iii) $13,075,000 aggregate principal amount of Revenue Bonds, Series 2010B (Tax-Exempt) – Senior Lien; (iv) $31,450,000 aggregate principal amount of Revenue Bonds, Series 2010C-1 (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (v) $3,615,000 aggregate principal amount of Series 2010C-2 Bonds; (vi) $57,280,000 aggregate principal amount of Series 2010D Bonds; (vii) $47,275,000 aggregate principal amount of Series 2011A Bonds; (viii) $15,295,000 aggregate principal amount of Series 2011B Bonds; (ix) $25,077,000 aggregate principal amount of Revenue Bonds, Series 2014A (Tax-Exempt) – Senior Lien; (x) $18,051,847 Dutchess County Local Development Corporation Revenue Bonds, Series 2015A (Tax-Exempt); (xi) $4,254,343 Dutchess County Local Development Corporation Revenue Bonds, Series 2015B (Taxable); and (xii) $280,810,000 Westchester County Local Development Corporation Revenue Bonds, Series 2016 (Tax-Exempt). All of the Series 2000A Bonds, Series 2010C-2 Bonds, Series 2010D Bonds, Series 2011A Bonds and the Series 2011B Bonds will be refunded with the Series 2020 Bonds.

In addition to the outstanding bond indebtedness identified above, as of December 31, 2019 the Corporation had (i) equipment lease obligations of $44.6 million, (ii) a $1.5 million note payable to the Board of Education of the Spackenkill Union Free School District, (iii) a bank line of credit of $70 million (no outstanding amount), and (4) guaranteed the annual debt service on $122.3 million of Bon Secours Charity Health System ("BSCHS") bonds. Subsequent to December 31, 2019, the Corporation secured an additional bank line of credit in the amount of $70 million. As of June 30, 2020, both bank lines of credit have been fully drawn upon in the aggregate amount of $140 million.

As of December 31, 2019, HealthAlliance had (i) $21.6 million in Dormitory Authority of the State of New York loans, (ii) $3.2 million in mortgages payable, (iii) $1.1 million of Ulster County Industrial Development Agency Series 2006A Revenue Bonds, (iv) $153,000 in Ulster County Industrial Development Agency Series 2010A Revenue Bonds, (v) a $279,000 promissory note payable and (vi) $3.7 million in equipment lease obligations.

For a detailed description of the existing indebtedness of the Corporation, see "APPENDIX A – FINANCIAL HISTORY OF THE CORPORATION – Outstanding Indebtedness" and "APPENDIX B – Audited Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2018 and 2019" attached hereto.

Additional Bonds and Additional Indebtedness

The Indenture provides for the issuance, under certain conditions, of Additional Bonds by the Issuer on a parity with the Series 2020 Bonds. See APPENDIX C – "THE INDENTURE – Additional Bonds" for a description of Additional Bonds.

Each of the 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 Additional Indebtedness, if evidenced by an Obligation or Series of Obligations issued under the Master Indenture, if issued as a Senior Obligation, would constitute a joint and several obligation of each Member of the Obligated Group and may be secured on a parity with respect to the Gross Receipts pledge and the Mortgage for the Series 2020 Obligation and all other Outstanding Obligations under the Master Indenture or, may be issued as a Subordinate Obligation (as defined in the Master Indenture). See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto. Such other indebtedness, if not so evidenced by an Obligation issued under the Master Indenture, would constitute a debt solely of the individual Member of the Obligated Group incurring such indebtedness and any guarantor thereof, and not a joint and several obligation of the Obligated Group.

Certain Additional Indebtedness permitted to be incurred by a Member of the Obligated Group under the Master Indenture may be secured by a lien on accounts receivable within limits established by the Master Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS - Additional Indebtedness" and "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

THE ISSUER

Purpose and Powers

The Issuer, which was created in 2012, is a not-for-profit local development corporation having an office for the transaction of business located at 148 Martine Avenue, White Plains, New York 10601. The Issuer was formed pursuant to the Act for the purpose of providing financial and other assistance for capital projects undertaken by not-for-profit corporations and, pursuant to subsequent amendments to its Charter, public benefit corporations, relieving and reducing unemployment, promoting and providing for maximum employment and bettering and maintaining job opportunities in the County and lessening the burdens of government on the County.

Pursuant to its Charter, its By-laws and under the Act, the Issuer has the power to (i) provide financial and other assistance for capital projects undertaken by not-for-profit and public benefit corporations including the issuance of bonds, notes and other obligations; (ii) refinance bonds originally issued by other bond issuers for not-for-profit corporations and public benefit corporations; (iii) provide financial assistance (subject to applicable law) in the form of exemptions from real property taxes, mortgage recording taxes and/or sales and use taxes; and (iv) take any and all actions that may be necessary or advisable in furtherance of the foregoing, including the power to acquire, construct, renovate, equip, lease or sell such projects and collect lease and installment sale payments.

The Issuer has heretofore issued obligations to finance projects for not-for-profit entities with respect to facilities located in the County. All such obligations were issued pursuant to instruments separate and apart from the Indenture, and are secured by and payable from assets separate and apart from those securing, and constituting the source of payment for, the Series 2020 Bonds.

Limited Recourse on Series 2020 Bonds and the Issuer

THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE PAYMENTS MADE UNDER THE LOAN AGREEMENT AND FROM THE MONEYS AND SECURITIES HELD BY THE TRUSTEE UNDER THE INDENTURE. NEITHER THE ISSUER NOR ITS MEMBERS, DIRECTORS OR OFFICERS ARE PERSONALLY LIABLE WITH RESPECT TO THE SERIES

2020 BONDS. ACCORDINGLY, NO FINANCIAL INFORMATION WITH RESPECT TO THE ISSUER OR ITS MEMBERS, DIRECTORS OR OFFICERS HAS BEEN INCLUDED IN THIS OFFERING MEMORANDUM.

THE SERIES 2020 BONDS SHALL NOT BE A DEBT OF THE STATE OR THE COUNTY, AND NEITHER THE STATE NOR THE COUNTY SHALL BE LIABLE THEREON. THE ISSUER HAS NO TAXING POWER.

Except for the information contained herein under the caption "THE ISSUER" and "LITIGATION" insofar as it relates to the Issuer, the Issuer has not provided any of the information contained in this Offering Memorandum. The Issuer is not responsible for and does not certify as to the accuracy or sufficiency of the disclosures made herein or any other information provided by the Corporation, the Underwriters or any other person.

CORPORATION

The Corporation

The sole member of the Westchester County Health Care Corporation Obligated Group (the "Obligated Group") is the Corporation. THE CORPORATION IS CURRENTLY THE SOLE MEMBER OF THE OBLIGATED GROUP AND, AS SUCH, IS SOLELY RESPONSIBLE FOR PAYMENT OF DEBT SERVICE ON ALL SERIES OF BONDS ISSUED PURSUANT TO, AND/OR SECURED BY, THE MASTER INDENTURE.

The Corporation is a New York public benefit corporation, exempt from federal income tax, and operates a hospital established under Article 28 of the New York Public Health Law. The Corporation was created by virtue of an amendment to the New York State Public Authorities Law by adding a new Article 10-C, Title 1. The statute specifically provides that the Corporation's corporate existence shall continue until terminated by law; provided, however, that no such termination shall take effect so long as the Corporation shall have bonds or other obligations outstanding, unless adequate provision has been made for the payment or satisfaction thereof. The Corporation's powers, duties and functions are as set forth in the statute and other applicable laws.

The Corporation's primary purpose is the operation of WMC described in APPENDIX A.

Westchester County Medical Center History

WMC opened in 1918 as a United States Army Base Hospital. In 1920, the U.S. government transferred the facilities to the County and the County reopened and operated the facilities as Grasslands Hospital. As the County's only public hospital, the hospital has grown significantly since its establishment. In the 1970's, the nature of the institution changed from a prototypical public hospital to a tertiary care hospital and academic medical center. During this period, a new 670-bed acute care hospital was constructed and New York Medical College relocated its educational facilities from New York City to the grounds of the hospital. Grasslands Hospital was renovated fully in 1977 and renamed the "Westchester County Medical Center." The County operated the Westchester County Medical Center through 1997, at which time it transferred responsibility for WMC to the Corporation.

The Corporation commenced its operation of WMC on January 1, 1998. The Corporation now does business under the name "Westchester Medical Center Health Network." The County has provided various forms of financial support to the Corporation since its inception in 1998. That relationship is more fully described in APPENDIX A. See "APPENDIX A - FINANCIAL HISTORY-Relationship with the County" attached hereto.

THE SERIES 2020 BONDS

General Description

The Series 2020 Bonds are issuable only as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only

form in denominations of $5,000, or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2020 Bonds. So long as the Series 2020 Bonds are held in DTC's book-entry only system, DTC (or a successor securities depository) or its nominee will be the registered owner of the Series 2020 Bonds for all purposes of the Indenture, the Series 2020 Bonds and this Offering Memorandum, and payments of principal or redemption price of and interest on the Series 2020 Bonds will be made solely through the facilities of DTC. See "Book-Entry Only System" herein.

Interest on the Series 2020 Bonds is payable on each May 1 and November 1, commencing November 1, 2020. So long as Cede & Co. is the registered owner of the Series 2020 Bonds, payments of principal or redemption price of and interest on the Series 2020 Bonds are required to be made to Beneficial Owners by DTC through its participants.

The regular record date for interest due on the Series 2020 Bonds on any Interest Payment Date is the fifteenth day of the preceding month (whether or not a Business Day). Notwithstanding the foregoing, interest which is due and payable on any Interest Payment Date, but cannot be paid on such date from available funds under the Indenture, shall thereupon cease to be payable to the registered owners otherwise entitled thereto as of such date. Such defaulted interest will be payable to the person in whose name such Series 2020 Bond is registered at the close of business on a special record date established by the Trustee. The Trustee shall mail a notice specifying the special payment date and special record date so established to each registered owner of the Series 2020 Bonds, such notice to be mailed at least 10 days prior to the special record date.

Redemption Prior to Maturity

Optional Redemption

The Series 2020 Bonds are subject to redemption by the Issuer, at the option of the Corporation, on or after November 1, 2030, in whole or in part at any time, at par plus accrued interest to the Redemption Date.

The Corporation shall give the Bond Trustee written notice of its intention to prepay the Series 2020 Bonds under the Indenture in sufficient time to enable the Bond Trustee to give notice of such prepayment in the manner provided below.

Extraordinary Redemption

The Series 2020 Bonds are subject to redemption in whole or in part at any time, without premium or penalty, at a Redemption Price equal to 100% of the principal amount of the Series 2020 Bonds to be prepaid plus interest accrued thereon to the Redemption Date, upon the occurrence of any of the following events:

(i) The Facility or any material portion of the Facility shall have been damaged or destroyed to such extent that, in the opinion of an Authorized Representative of the Corporation (expressed in a certificate filed with the Issuer and the Trustee within sixty (60) days after such damage or destruction), (A) the Facility or any such portion of the Facility cannot be reasonably restored within a period of six (6) consecutive months after such damage or destruction to the condition thereof immediately preceding such damage or destruction, or (B) the Corporation is thereby prevented or is reasonably expected to be thereby prevented from carrying on its normal operations within the Facility or any such portion of any of the Facility for a period of six (6) consecutive months after such damage or destruction, or (C) the cost of restoration of any of the Facility or such portions of the Facility would exceed the Net Proceeds of insurance carried thereon; or

(ii) Title to, or the use of, all or any material part of the Facility shall have been taken by Condemnation such that, in the opinion of an Authorized Representative of the Corporation (expressed in a certificate filed with the Issuer and the Trustee within sixty (60) days after the date of such taking), the Corporation is thereby prevented from carrying on its respective normal operations therein for a period of six (6) consecutive months after such taking.

Purchase in Lieu of Redemption

The Corporation shall have the option to cause any Series 2020 Bonds to be purchased by the Corporation, or its designee, in lieu of redemption. Such option may be exercised by delivery to the Trustee of written notice of the Corporation specifying that the Series 2020 Bonds shall not be redeemed, but instead shall be subject to purchase. Upon delivery of such notice, the Series 2020 Bonds shall not be redeemed but shall be purchased at a price equal to the applicable Redemption Price. The Series 2020 Bonds purchased as described in this paragraph are not required to be cancelled, and if not so cancelled shall remain Outstanding under the Indenture and in such case shall continue to bear interest and shall continue to be subject to optional redemption as described in the Indenture.

Notice of Redemption

The Trustee shall call Series 2020 Bonds for optional redemption or extraordinary redemption upon receipt of notice from the Corporation directing such redemption.

When the Series 2020 Bonds are to be redeemed pursuant to the Indenture, the Trustee shall give notice of the redemption of the Series 2020 Bonds in the name of the Issuer stating the Redemption Price, the principal amount of the Series 2020 Bonds to be redeemed, the numbers of the Series 2020 Bonds to be redeemed if less than all of the Series 2020 Bonds are to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable and, if applicable, specify that such redemption is conditional on the availability of funds on such date.

Notice shall be given by mail at least thirty (30) days and not more than sixty (60) days prior to said redemption to the Owner of each Series 2020 Bond to be redeemed at the address shown on the registration books; but failure to give such notice by mail, or any defect therein, shall not affect the validity of any proceeding for the redemption of the Series 2020 Bonds.

Payment of Redeemed Bonds

After notice of redemption has been provided, the Series 2020 Bonds or portions thereof called for redemption shall become due and payable on the Redemption Date so designated (except as provided in the Indenture). Upon presentation and surrender of such Series 2020 Bonds at the Office of the Trustee, such Series 2020 Bonds shall be paid at the Redemption Price, plus accrued interest to the Redemption Date.

If, on the Redemption Date, moneys for the redemption of all the Series 2020 Bonds or portions thereof to be redeemed, together with interest thereon to the Redemption Date, shall be held by the Trustee so as to be available therefor on such date, the Series 2020 Bonds or portions thereof so called for redemption shall cease to bear interest, and such Series 2020 Bonds or portions thereof shall no longer be Outstanding under the Indenture or be secured by or be entitled to the benefits of the Indenture except with respect to payment of the Redemption Price thereof and accrued interest thereon to the Redemption Date. If such moneys shall not be so available on the Redemption Date, such Series 2020 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of the Indenture.

In the event of redemption of less than all Outstanding Series 2020 Bonds, the series and maturity to be redeemed shall be selected by the Corporation. In the event of redemption of less than all Outstanding Series 2020 Bonds of the same maturity, the principal amount of such Series 2020 Bonds to be redeemed shall be selected by the Trustee by lot within such maturity.

Additional Bonds and Permitted Debt

The Indenture provides for the issuance, under certain conditions, of Additional Bonds by the Issuer on a parity with the Series 2020 Bonds. In addition, pursuant to the Master Indenture, the Corporation may issue additional long term Indebtedness upon satisfaction of the provisions set forth therein.

See APPENDIX C – "Summary of Certain Provisions of the Indenture and the Loan Agreement" under the heading "THE INDENTURE – Additional Bonds" for a description of Additional Bonds and APPENDIX D – "Summary Of Certain Provisions of the Master Indenture and the Supplemental Indenture – Limitations on Creation of Liens" for a description of permitted indebtedness and encumbrance provisions.

Book-Entry Only System

THE INFORMATION PROVIDED IN THIS SECTION HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE ISSUER, THE CORPORATION, THE TRUSTEE OR THE UNDERWRITERS AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFERING MEMORANDUM.

General

The following description of DTC, the procedures and record keeping with respect to beneficial ownership interests in the Series 2020 Bonds, payment of interest and principal on the Series 2020 Bonds to DTC Participants or Beneficial Owners of the Series 2020 Bonds, confirmation and transfer of beneficial ownership interest in the Series 2020 Bonds and other related transactions by and between DTC, the DTC Participants and Beneficial Owners of the Series 2020 Bonds is based solely on information furnished by DTC to the Issuer for inclusion in this Offering Memorandum. Accordingly, neither the Issuer nor the Corporation makes any representations concerning these matters.

The Depository Trust Company ("DTC") will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2020 Bond certificate will be issued for each maturity of the Series 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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 a Standard & Poor's rating of "AA+". 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.

Purchases of the Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 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 2020 Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial

Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 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 2020 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 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2020 Bonds may wish to ascertain that the nominee holding the Series 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2020 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 maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2020 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 Issuer 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 Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, interest and principal payments on the Series 2020 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 Issuer or the Trustee on a payment 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 Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, interest and principal payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2020 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2020 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 Issuer believes to be reliable, but neither the Issuer, the Corporation nor the Underwriters take responsibility for the accuracy thereof.

NEITHER THE ISSUER, THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2020 BONDS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT, THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2020 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2020 BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2020 BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFERING MEMORANDUM TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2020 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2020 BONDS.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Issuer and the Trustee. In addition, the Issuer may terminate the services of DTC if the Issuer determines that continuation of the system of book-entry transfers through DTC is not in the best interests of the Beneficial Owner. If the Book Entry Only System is discontinued, Series 2020 Bond certificates will be delivered as described in the Indenture and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the owner.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS

THE SERIES 2020 BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER NOR A DEBT OR INDEBTEDNESS OF WESTCHESTER COUNTY OR THE STATE OF NEW YORK AND NEITHER WESTCHESTER COUNTY NOR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE AND THE LOAN AGREEMENT. THE ISSUER HAS NO TAXING POWER.

Sources of Payment for the Series 2020 Bonds

The Series 2020 Bonds are to be issued pursuant to the Indenture and, together with any Additional Bonds which may be issued from time to time under the Indenture, will be equally and ratably secured thereby. Pursuant to the Indenture, a Bond Fund shall be established with the Trustee. Payments by the Corporation in respect of the Debt Service Payments on the Series 2020 Bonds shall be deposited into the Bond Fund, and shall be applied on each payment date for the Series 2020 Bonds to the payment of the principal, including interest on the Series 2020 Bonds.

Security for the Series 2020 Bonds

Each Obligation and Series of Obligations, including the Series 2020 Obligation, are special obligations of the Obligated Group secured by a pledge of the Gross Receipts and, as and to the extent provided in the Supplemental Indenture, the funds and accounts established under the Master Indenture and the Supplemental Indenture. The Master Indenture provides that the pledge of Gross Receipts is valid, binding and perfected from the time when made as against all parties having claims of any kind in tort, contract or otherwise against any Member of the Obligated Group irrespective of whether such parties have notice thereof. See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

The Master Indenture

The issuance of Obligations is subject to the satisfaction of certain financial covenants set forth in the Master Indenture. The Master Indenture authorizes the issuance, from time to time, of Obligations or a Series of Obligations, each such Obligation or Series of Obligations to be authorized by a separate Supplemental Indenture. See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached herein.

Subject to the terms of the Master Indenture, any persons which are not Members of the Obligated Group and corporations which 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 a Cushion Ratio, and restricting, among other things, incurrence of indebtedness, existence of liens on Property, consolidation and merger, disposition of assets, addition of Members of the Obligated Group and withdrawal of Members from the Obligated Group.

The Master Indenture permits each Member of the Obligated Group to encumber its Property with Permitted Liens, as such term is defined in the Master Indenture. Permitted Liens include other liens on real and personal property which may be used to secure borrowings other than pursuant to the Master Indenture. The enforcement of the Obligations may be limited by the following: (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 receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Master Indenture. See "BONDHOLDER'S RISKS – Certain Matters Affecting the Enforceability of the Master Indenture" herein.

Security Interest in Gross Receipts

As security for the payment of all Obligations and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under any Obligation, the Corporation has granted, and each future Member of the Obligated Group, if any, is required to grant, to the Master Trustee a security interest in its Gross Receipts. Gross Receipts are defined to include all receipts, revenues, income and other money received by or on behalf of each Member of the Obligated Group from Health Care Facilities, 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 receivable, contract rights, general intangibles, chattel paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired, other than (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 paying debt service on an Obligation and (ii) all receipts, revenues, income and other moneys received by or on behalf of an Member of the Obligated Group, and all rights to receive the same, whether in the form of accounts receivable, contract rights, general intangibles, chattel paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now owned or hereafter derived from the Excluded Property. Excluded Property means any property that is not Health Care Facilities of the Obligated Group. In addition, the Master Indenture permits the pledge, assignment, sale or other disposition or encumbrance of accounts receivable by the Members of the Obligated Group in an amount not to exceed 50% of the three-month average of outstanding accounts receivable that are 120 days old or less, which percentage may be increased to 75% if the Long-Term Debt Service Coverage Ratio is 2.00 or greater. The Master Indenture further provides that Gross Receipts includes the receipt of the subsidy to be paid to the Corporation by the United States Department of the Treasury in connection with the Series 2010A Bonds and Series 2010C-1 Bonds payable pursuant to the "Build America Bonds" program.

Additional Indebtedness

The Master Indenture provides that, subject to the terms, limitations and conditions established in the Master Indenture and with the consent of the Corporation, each Member of the Obligated Group may incur Indebtedness, by issuing Obligations under the Master Indenture 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 under the Master Indenture are subject to certain limitations set forth in the Master Indenture. See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

Each Obligation and Series of Obligations shall be special obligations of the Obligated Group payable solely from and secured by the pledge of the Gross Receipts and, as and to the extent provided in the Supplemental Indenture, the funds and accounts established pursuant to the Master Indenture and pursuant to the Supplemental Indenture. Such additional Obligations will not be secured by the money or investments in any fund or account held by the Master Trustee for the security of the Series 2020 Bonds. The Series 2020 Bonds are not secured by the moneys or investments in any fund or account held by the Master Trustee for the security of any other Obligations. The Obligated Group may, in accordance with the provisions of the Master Indenture, issue a Refunding Obligation or Refunding Obligations of a Series in an aggregate principal amount sufficient, together with other moneys available therefore, to refund all or a portion of all Outstanding Obligations.

Members of the Obligated Group are permitted to incur Indebtedness in accordance with the debt limitations set forth in the Master Indenture. Such borrowing may be secured by Obligations issued under the Master Indenture, liens on Property permitted under the Master Indenture, including liens on Excluded Property, without limit, or accounts receivable as described above. See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

Events of Default and Acceleration under the Master Indenture

The Master Indenture provides that the following constitute events of default under the Master Indenture: (i) the Members of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest on any Obligation issued and Outstanding under the Master Indenture 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 the Master Indenture, the Applicable Supplement or the Applicable Series Certificate; (ii) any Member of the Obligated Group shall fail to duly perform, observe or comply with any covenant or agreement on its part under the Master Indenture for a period of 30 days after the date on which written notice of such failure shall have been given as provided in the Master Indenture; provided, however, that the Master Indenture provides for certain curative actions by the Obligated Group which would avoid declaration of such an Event of Default; (iii) any Member of the Obligated Group shall fail to make any required payment with respect to, or there shall occur an event of default in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness (other than Obligations issued and Outstanding under the Master Indenture), which Indebtedness is in an aggregate principal amount greater than 2% of Total Operating Revenues for the most recent Fiscal Year, and, as a result, such Indebtedness shall have been accelerated, unless the obligation to pay such Indebtedness is being contested or any judgment relating thereto has been stayed or sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness, as provided in the Master Indenture; or (iv) proceedings under the United States Bankruptcy Code or other similar applicable federal or State law shall have been instituted by or against any Member of the Obligated Group, as provided in the Master Indenture. Further, the Supplemental Indenture provides that a failure of the Obligated Group to maintain a Long-Term Debt Service Coverage Ratio of 1.00 shall be an Event of Default under the Master Indenture.

The Master Indenture provides that if an event of default occurs and continues, the Master Trustee may and, upon the written request of the Holders (subject to certain provisions of the Master Indenture with regard to the rights of any Credit Facility Issuer of not less than 25% in aggregate principal amount of all Senior Obligations Outstanding, shall, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable. 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 moneys 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 acceleration), (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay the expenses of the Master Trustee, (iii) all other amounts then payable by the Obligated Group under the Master Indenture 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 such Obligations then due only because of such acceleration) shall have been remedied, or waived, then the Master Trustee, upon the written request of the Holders (subject to the provisions of the Master Indenture with regard to the rights of any Credit Facility Issuer) of not less than a majority of the aggregate principal amount of Senior Obligations then Outstanding (or the Holders of not less than a majority in aggregate principal amount of Subordinate Obligations Outstanding if no Senior Obligations are any longer Outstanding), shall annul such declaration and its consequences with respect to any Obligation or portions thereof not then due by their terms.

The Master Indenture provides that the Master Trustee shall give notice in accordance with the Master Indenture of each Event of Default known to the Master Trustee to each Credit Facility Issuer, the Ratings Services and all Holders of Bonds within 10 days after it has actual 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, if any, or Redemption Price of, or interest on, any of the Series 2020 Bonds or in the case of default relating to the commencement of bankruptcy proceedings, the Master Trustee shall be protected in withholding such notice if the Master Trustee in good faith determines that the withholding of such notice is in the best interests of the Credit Facility Issuer and the Holders.

Additional Rights of Bond Insurer. The scheduled payment of principal of and interest on the Series 2020 Bonds when due will be guaranteed under the Policy to be issued concurrently with the delivery of the Series 2020 Bonds by the Insurer. See "BOND INSURANCE" and APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY." As a condition to issuing the Policy, the Insurer has requested that the Obligated Group grant the Insurer certain additional rights and comply with certain financial covenants that may not be available for the benefit of Bondholders and holders of other Obligations issued under the Master Indenture.

Pursuant to the Supplemental Indenture, the Obligated Group has agreed to provide the Insurer with certain additional rights and financial covenants, which may be amended or waived by the Insurer without Bondholder consent. For more information on such additional rights and financial covenants, see "APPENDIX C – Summary of Certain Provisions of the Indenture and the Loan Agreement" and "APPENDIX D – Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

The Mortgage

The Series 2020 Obligation and the other Outstanding Obligations issued under the Master Indenture are additionally secured by mortgages (collectively, the "Mortgage") on the Corporation's (i) leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between the County and the Corporation (the "Lease Agreement") of real property upon which the facilities constituting the Health Care Facilities of WMC are located, and (ii) fee interest in the Health Care Facilities at MidHudson Regional Hospital in Poughkeepsie, New York, with all proceeds realized from the Mortgage to be applied proportionately and ratably to all Obligations issued under the Master Indenture. The Lease Agreement permits the Corporation, under certain circumstances, to assign, mortgage, pledge or otherwise encumber such leasehold interest. The Mortgage permits the Corporation, under certain circumstances, to obtain a release of a portion of the mortgaged property, other than the improvements constituting the Health Care Facilities of WMC, from the lien of the Mortgage. The Master Indenture provides that the Members of the Obligated Group will not permit the existence of any Lien on Property owned or acquired by it other than the Mortgage and Permitted Liens. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS – The Master Indenture" and "APPENDIX D – Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

BOND INSURANCE

The information in this section has been prepared by the Insurer for inclusion in this Offering Memorandum. None of the Issuer, the Corporation or the Underwriters has reviewed this information, nor does the Issuer, the Corporation or the Underwriters make any representation as to the accuracy or completeness thereof. The following is not a complete summary of the Policy and reference is made to the specimen of the Policy attached as APPENDIX G hereto.

Bond Insurance Policy

Concurrently with the issuance of the Series 2020 Bonds, the Assured Guaranty Municipal Corp. ("*AGM*") will issue its Policy for the Series 2020 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series 2020 Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Offering Memorandum.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At June 30, 2020:

- The policyholders' surplus of AGM was approximately $2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE UK and AGE SA were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "*SEC*") that relate to AGM are incorporated by reference into this Offering Memorandum and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2020 Bonds shall be deemed incorporated

by reference into this Offering Memorandum and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Offering Memorandum.

Any information regarding AGM included herein under the caption "BOND INSURANCE" or included in a document incorporated by reference herein (collectively, the "*AGM Information*") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Offering Memorandum, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Series 2020 Bonds or the advisability of investing in the Series 2020 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Offering Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Series 2020 Bonds:

Sources of Funds:	
Principal Amount	$300,000,000
Funds Released Relating to Refunded Bonds	14,147,476
Total Sources of Funds	$314,147,476
Uses of Funds:	
Deposit to the Project Fund	$43,575,346
Refunding of Refunded Bonds	244,705,365
Capitalized Interest	4,061,624
Costs of Issuance[1]	21,805,141
Total Uses of Funds	$314,147,476

[1] Costs of Issuance include the Underwriters' discount, certain fees and expenses of counsel, rating agency fees, bond issuance charges, bond insurance premium, master trustee and paying agent fees and financial advisor fees.

PLAN OF FINANCE

The proceeds from the sale of the Series 2020 Bonds and certain other available moneys will be used (i) for general corporate purposes; (ii) to refund all of the Refunded Bonds; (iii) to fund capitalized interest in connection with the Series 2020 Bonds; and (iv) to pay costs related to the issuance of the Series 2020 Bonds. See APPENDIX A – "STRATEGY AND FUTURE PLANS – 2020 Capital Projects".

FORECASTED DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ended December 31, the future amounts estimated to be required to be paid following the issuance of the Series 2020 bonds by the Obligated Group for principal of and interest on the Series 2020 Bonds and certain other outstanding indebtedness of the Corporation. Totals may not foot due to rounding.

Year Ended December 31,	Series 2020 Bonds			Certain Other Debt Service Requirements*	Total Debt Service
	Principal	Interest	Total		
2020	--	$ 1,858,900	$ 1,858,900	$36,293,795	$38,152,695
2021	--	11,538,000	11,538,000	36,118,713	47,656,713
2022	--	11,538,000	11,538,000	34,847,060	46,385,060
2023	--	11,538,000	11,538,000	32,117,449	43,655,449
2024	--	11,538,000	11,538,000	27,796,104	39,334,104
2025	--	11,538,000	11,538,000	23,750,315	35,288,315
2026	--	11,538,000	11,538,000	23,266,533	34,804,533
2027	--	11,538,000	11,538,000	23,261,683	34,799,683
2028	--	11,538,000	11,538,000	25,255,033	36,793,033
2029	--	11,538,000	11,538,000	25,135,383	36,673,383
2030	--	11,538,000	11,538,000	34,950,154	46,488,154
2031	--	11,538,000	11,538,000	20,974,633	32,512,633
2032	--	11,538,000	11,538,000	20,979,821	32,517,821
2033	--	11,538,000	11,538,000	20,975,258	32,513,258
2034	--	11,538,000	11,538,000	22,510,846	34,048,846
2035	--	11,538,000	11,538,000	35,114,983	46,652,983
2036	--	11,538,000	11,538,000	35,523,521	47,061,521
2037	--	11,538,000	11,538,000	36,640,671	48,178,671
2038	--	11,538,000	11,538,000	37,742,212	49,280,212
2039	--	11,538,000	11,538,000	37,728,533	49,266,533
2040	--	11,538,000	11,538,000	37,725,394	49,263,394
2041	--	11,538,000	11,538,000	30,107,250	41,645,250
2042	--	11,538,000	11,538,000	33,755,550	45,293,550
2043	--	11,538,000	11,538,000	33,759,150	45,297,150
2044	--	11,538,000	11,538,000	33,755,450	45,293,450
2045	--	11,538,000	11,538,000	33,758,500	45,296,500
2046	--	11,538,000	11,538,000	33,757,500	45,295,500
2047	--	11,538,000	11,538,000	--	11,538,000
2048	--	11,538,000	11,538,000	--	11,538,000
2049	--	11,538,000	11,538,000	--	11,538,000
2050	$300,000,000	11,538,000	311,538,000	--	311,538,000
TOTAL	**$300,000,000**	**$347,998,900**	**$647,998,900**	**$827,601,494**	**$1,475,600,394**

* Indicates estimated future debt service of the Corporation following the issuance of the Series 2020 Bonds, including bond indebtedness, leases and notes payable as described under the caption "INTRODUCTION – Existing Indebtedness," which takes into account the Build America Bonds subsidies in connection with the Series 2010A Bonds and Series 2010C-1 Bonds. Does not include HealthAlliance debt, any BSCHS guarantees or the Refunded Bonds to be refunded with proceeds of the Series 2020 Bonds.

CERTAIN BONDHOLDERS' RISKS

AN INVESTMENT IN THE SERIES 2020 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE PURCHASER OF THE SERIES 2020 BONDS IS ADVISED TO READ THE ENTIRE OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO. REFER TO THE SECTION "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 BONDS" AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2020 BONDS. The factors listed below, among others, could adversely affect the Corporation's operations, revenues and expenses for the Project to an extent and in a manner which cannot be determined at this time.

General

The Series 2020 Bonds are special obligations of the Issuer payable solely from the amounts payable under the Series 2020 Obligation, certain payments under the Loan Agreement, the Master Indenture and other funds held pursuant to the Indenture (excluding the Rebate Fund). The Issuer has no taxing power.

The Series 2020 Bonds may be redeemed earlier or later than described above under "THE SERIES 2020 BONDS - Redemption Prior to Maturity" due to various factors.

General Economic Factors and Credit Market Disruptions

The United States economy is unpredictable. Previous disruptions of the credit and financial markets have led to volatility in the securities markets, significant losses in investment portfolios, increased business failures and consumer and business bankruptcies and economic recession. In response to the 2008 recession, the Dodd–Frank Wall Street Reform and Consumer Protection Act (the "*Dodd–Frank Act*") was enacted in 2010. The Dodd–Frank Act included broad changes to the existing financial regulatory structure, including the creation of new federal agencies to identify and respond to the financial stability of the United States. On June 5, 2018, President Trump signed into law the Economic Growth, Regulatory Relief and Consumer Protection Act, which relaxes restrictions on large parts of the banking industry. The effects of the new law are unclear.

In the past, the economic climate has adversely affected the health care sector generally. Patient service revenues and inpatient volumes have not increased as historic trends would otherwise indicate. When unemployment rates were increasing nationally, increases in self-pay admissions, increased levels of bad debt and uncompensated care, reduced demand for elective procedures, and reduced availability and affordability of health insurance resulted. The economic climate has also increased stresses on state budgets, potentially resulting in reductions in Medicaid payment rates or Medicaid eligibility standards and delays in payment of amounts due under Medicaid and other state or local payment programs. Any similar economic recession in the future could have similar or worse effects.

In recent months, the global spread of the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) resulting in the coronavirus disease ("COVID-19") has resulted in volatility in the U.S. and global financial markets, increased unemployment, strained State and local government budgets that may result in reduced or delayed Medicare and Medicaid reimbursement, and significant realized and unrealized losses in investment portfolios. The collective national effort to mitigate the COVID-19 pandemic has caused a deep contraction in vast areas of the economy, with many hospitals facing potentially sharp declines in revenue and, in some cases, increased unbudgeted costs. Financial results, generally, and liquidity, in particular, may be materially diminished. In addition, many businesses, and, in some cases, entire industries, have been adversely impacted by disruptions in operations, supply chain delays or cessation, and redeployment of personnel resources, among other challenges, which may lead to business failures and bankruptcies. Such impacts have disrupted supply chains for equipment and supplies necessary of the operation of hospitals across the country, and the Corporation in particular. In addition, governmental response measures are uncertain and evolving.

The effect of the COVID-19 outbreak result in the cancellation for a period of time of elective procedures at hospitals generally, and the Corporation in particular. Federal, State, and local government responses to the

COVID-19 outbreak have included unexpected and severe restrictions on business operations and may include new requirements for businesses, such as mandating paid sick leave, that coult affect the entire U.S. economy. Certain measures have included federal relief packages for specific industries, including targeted benefits to the health care industry due to the nature of the outbreak. Access to capital markets may be hindered and increased costs of borrowing may occur as a result. Given the uncertainty regarding the COVID-19 outbreak, the full range of its consequences cannot be predicted at this time. See Appendix A hereto under the captions "COVID RESPONSE" and "FINANCIAL HISTORY OF THE CORPORATION."

COVID-19 Pandemic

COVID-19 is a respiratory disease caused by a new coronavirus (SARS-CoV-2) not previously seen in humans. The outbreak of COVID-19 began in late 2019 in Wuhan, a city in China's Hubei province. Cases of COVID-19 have spread around the world. In February 2020, the United States Centers for Disease Control and Prevention confirmed the spread of the disease to the United States and on March 13, 2020, the Trump Administration declared a national emergency. In the New York State, Governor Cuomo declared a Disaster Emergency on March 7, 2020 and subsequently issued a mandate for hospitals in the New York State to suspend all elective and non-emergency surgeries and admissions. This mandate has since been relaxed in some counties, including Westchester County, permitting some hospitals to resume elective surgeries as long as they follow required guidance.

The spread of COVID-19 (the "Pandemic") has already materially adversely affected the state and national economies and, accordingly, is likely to have a negative impact on the Corporation's operations, revenues and finances, the magnitude of which cannot be quantified with any precision at this time. Decreases in volumes, elimination of elective surgeries and disruption in health care delivery generally are expected to have a significant adverse effect on revenues. In addition, disruption in supply chain, increased costs, including for pharmaceuticals and personal protective equipment of all kinds, and disruptions in staffing patterns are also expected to impact operations. Regulatory matters including impact on reimbursement cannot be determined at this time.

In addition, there has been significant volatility in the stock markets and credit markets in the U.S. and abroad attributed to concerns about the Pandemic. This volatility has had and may continue to have an adverse effect on the Corporation's investment portfolio. With respect to other economic indicators, unemployment claims have risen to an all-time high and continue to increase. Notwithstanding federal legislation enacted to address the effects of the Pandemic on the economy, many economists and other experts question the impact of these measures and continue to make negative economic forecasts. In addition, the Pandemic has affected, and is expected to continue to affect, travel, commerce and all forms of social interaction in the United States and globally, and is generally expected to arrest worldwide economic growth for an undetermined period of time.

The Pandemic has led to legislation and regulatory changes specifically impacting the healthcare industry. In March and April of 2020, in response to the disruption caused by the Pandemic, CMS announced a number of temporary regulatory waivers and new rules applicable to the health care industry. CMS published two interim final rules with comment periods, clarifying rules for hospitals to furnish inpatient services under-arrangement with other providers and when hospitals can furnish outpatient services in the patient's home or other expansion site, establishing processes for hospital outpatient departments to seek exceptions from lower payments when temporarily relocating due to the COVID-19 public health emergency, expanding physician supervision flexibilities for inpatient/outpatient hospital services, expanding services that may be furnished through telehealth and the types of practitioners eligible to furnish services through telehealth, and expanding coverage of ambulance transport to additional sites. CMS also issued national "blanket" Section 1135 waivers for certain hospital conditions of participation, provider-based rules, and the physician self-referral law. These waivers enable, among other outcomes, the rapid expansion of hospital services provided in on and off campus clinical and nonclinical space, including through partnerships with other entities; other facility types, such as ambulatory surgical centers, to become hospitals governed by more flexible conditions of participation and streamlined enrollment and cost reporting requirements; and hospitals and other providers to provide items such as free meals, child care and laundry services to healthcare workers. It is too soon to tell how these and other waivers and rule changes in response to the Pandemic will affect the operations and revenue of the Corporation, and it is impossible to predict their short term and long term effects on the Corporation.

Congress passed the Coronavirus Aid, Relief, and Economic Security ("CARES") Act on March 27, 2020. The Act provided for an over $2 trillion economic relief package impacting all sectors of the economy, including the health care industry. Shortly after passing the CARES Act, Congress bolstered it with an additional $484 billion in funding to programs established under the CARES Act through the Paycheck Protection Program and Healthcare Enhancement Act ("PPPHEA"). Of the relief funding authorized by the CARES Act, $175 billion in funding is allocated to health care providers to support expenses or revenue loss attributable to the COVID-19 crisis. The U. S. Department of Health and Human Services ("HHS") has established terms and conditions related to the use of these funds. Distributions will not require repayment so long as funds are used for stipulated purposes. To keep funds already received, providers must agree not to seek collection of out-of-pocket payments from a COVID-19 patient and certify to a list of detailed terms and conditions, including that the provider billed Medicare in 2019, provides or provided diagnoses, testing or care for individuals with possible or actual cases of COVID-19, is not currently terminated from participation in Medicare, is not currently excluded from participation in Medicare, Medicaid, and other Federal health care programs, and does not currently have Medicare privileges revoked. The terms and conditions further include a certification that the funds "will only be used to prevent, prepare for, and respond to coronavirus" and that the funding will reimburse the recipient "only for health care related to expenses or lost revenues that are attributable to coronavirus." Other relief provided for acute care hospitals in the CARES Act includes the elimination of the 2% reduction to Medicare Payments through sequestration for a temporary period, a 20% increase to the inpatient Prospective Payment System DRG weight for patients diagnosed with COVID-19 during the public health emergency, and an expansion of the CMS accelerated payment program. It is too soon to tell how relief legislation passed by Congress in response to the Pandemic will affect the operations and revenue of the Corporation, and it is impossible to predict any short term and long term effects on the Corporation. The receipt of relief funding by the Corporation will require increased compliance efforts by the Corporation to ensure requirements for the relief are met and any statements or certifications made in applications for relief are accurate.

The Corporation has taken and continues to take steps to address the impact of the Pandemic, but there can be no assurance that such steps will be able to be fully implemented as planned or that they will ultimately be successful. See Appendix A hereto under the caption "FINANCIAL AND OPERATIONAL INFORMATION – COVID 19 Impact."

Adequacy of Revenues

Except to the extent otherwise noted herein, the Series 2020 Bonds are payable solely from the payments required to be made by the Corporation to the Issuer under the Loan Agreement. No representation or assurance can be made that revenues will be realized by the Corporation in amounts sufficient to pay maturing principal of, redemption premium, if any, and interest on the Series 2020 Bonds. The ability of the Corporation to make payments under the Loan Agreement and the ability of the Issuer to make payments on the Series 2020 Bonds under the Indenture depends, among other things, upon the capabilities of management of the Corporation and the ability of the Corporation to maximize revenues under various third party reimbursement programs and to minimize costs and to obtain sufficient revenues from its operations to meet such obligations. Revenues and costs are affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. The risk factors discussed below should be considered in evaluating the ability of the Corporation and future Members of the Obligated Group, if any, to make payments in amounts sufficient to meet their obligations under the Loan Agreement, the Master Indenture and the Series 2020 Obligation. This discussion is not, and is not intended to be, exhaustive.

The ability of the Corporation and future Members of the Obligated Group, if any, to make required payments on the Series 2020 Obligation is subject to, among other things, the capabilities of the management of the Members of the Obligated Group and future economic and other conditions, which are unpredictable and which may affect revenues and costs and, in turn, the payment of principal of, premium, if any, and interest on the Series 2020 Bonds. Future revenues and expenses of the Obligated Group will be affected by events and conditions relating generally to, among other things, demand for the Obligated Group's services, its ability to provide the services required by patients, physicians' relationships with the Obligated Group, patient and physician satisfaction with the Obligated Group and its facilities, management capabilities, the design and success of the Obligated Group's strategic plans, demographic, financial and economic developments in the United States, the State and the Obligated Group's service area, the Obligated Group's ability to control expenses, maintenance by the Members of the Obligated Group of relationships with Managed Care Organizations ("MCOs") and PPOs (as defined herein),

competition, rates, costs, third party reimbursement, legislation and governmental regulation. The ability of the Obligated Group to operate successfully over the life of the Series 2020 Bonds may also be dependent upon its ability to finance, acquire and support additional capital replacements and improvements, which ability will be affected by legislation, regulations and applicable principles of reimbursement. Federal and state statutes and regulations are the subject of intense legislative debate and are likely to change, and unanticipated events and circumstances may occur which cause variations from the Obligated Group's expectations, and the variations may be material. The Issuer has not made any independent investigation of the extent to which any such factors may have an adverse impact on the financial condition of the Members of the Obligated Group. THERE CAN BE NO ASSURANCE THAT THE REVENUES OF THE MEMBERS OF THE OBLIGATED GROUP OR UTILIZATION OF THEIR FACILITIES WILL BE SUFFICIENT TO ENABLE THE MEMBERS OF THE OBLIGATED GROUP TO MAKE SUCH PAYMENTS.

None of the provisions, covenants, terms and conditions of the Master Indenture or the Loan Agreement will afford the Trustee any assurance that the principal and interest owing under the Series 2020 Obligation (which, except for money held under the Indenture and the other collateral securing the Series 2020 Bonds, constitute the sole source of funds for the payment of the Series 2020 Bonds) will be paid as and when due, if the financial condition of the Obligated Group deteriorates to a point where the Members of the Obligated Group are unable to pay their debts as they come due, or otherwise become insolvent.

Health Care Industry Factors Affecting the Corporation

The health care industry is highly dependent on a number of factors that may limit the ability of the Corporation to comply with certain provisions in the Master Indenture, effectively limiting the ability of the Corporation to meet its obligations under the Master Indenture, several of which are beyond their control. Among other things, participants in the health care industry (such as the Corporation) are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third-party reimbursement programs.

Federal and State Legislation and National Health Care Reform

A significant portion of the revenues of the Obligated Group is derived from Medicare, Medicaid and other third-party payers described in this section. Significant changes have been and will likely continue to be made in these programs, which changes could have an adverse impact on the financial condition of the Obligated Group. In addition, bills have in the past and may in the future be introduced in Congress which, if enacted, could adversely affect the operations of the Obligated Group by, for example, decreasing payment by Medicare and Medicaid and other third-party payers or limiting the ability of the physicians on the medical staff of the Obligated Group to provide services or increase services provided to patients.

Participation in any federal health care program is heavily regulated. Providers and suppliers that participate in the Medicare and Medicaid programs must agree to be bound by the terms and conditions of the programs, such as meeting quality standards for rendering covered services and adopting and enforcing policies to protect patients from certain discriminatory practices, and must disclose certain ownership interests and/or managing control information. If a health care entity fails to substantially comply with any applicable conditions of participation in the Medicare and Medicaid programs or performs certain prohibited acts, the entity's participation in these programs may be terminated, and civil and/or criminal penalties may be imposed.

The discussion herein describes risks associated with certain existing federal and state laws, regulations, rules, and governmental administrative policies and determinations to which the Obligated Group and the health care industry are subject. These are regularly subject to change. Additionally, because health care regulations are particularly complex, such regulations may be interpreted and enforced in a manner that is inconsistent with management's interpretation. The Obligated Group's business or financial condition could be harmed if it is alleged to have violated existing health care regulations or if it fails to comply with new or changed health care regulations. Furthermore, health care, as one of the largest industries in the United States, continues to attract much legislative interest and public attention. Further changes in the health care regulatory framework that increase the burdens on health care providers could have a material adverse effect on the Obligated Group's business or financial condition.

Also, there can be no assurances that any current health care laws and regulations, including the ACA (described below), will remain in their current form. There can be no assurances that any potential changes to the laws and regulations governing health care would not have a material adverse financial effect on the Obligated Group. Therefore, the following discussion should be read with the understanding that significant changes could occur in the foreseeable future in many of the statutory and regulatory matters discussed.

The Federal Budget and the Federal Debt Limit

Budget Control Act. The Federal Budget Control Act of 2011 (the "Budget Control Act") mandates significant reductions in federal spending caps for fiscal years 2012-2021, including annual reductions of two percent on all Medicare payments during this period. The Bipartisan Budget Act of 2018 extended these reductions through 2027 (although the cuts were eliminated by the CARES Act from May 1, 2020 through December 31, 2020). It is possible that Congress could act to extend or increase these across-the-board reductions.

Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts that are approved may have on the Corporation. Further, with no long-term resolution in place for Federal deficit reduction, hospital, and physician reimbursement are likely to continue to be targets for reductions with respect to any interim or long-term Federal deficit reduction efforts. These and any additional reductions in Medicare spending could have a material adverse effect upon the financial condition or operations of the Corporation.

Debt Limit Increase. The Federal government has, through legislation, created a debt "ceiling" or limit on the amount of debt that may be issued by the U.S. Treasury. In the past several years, disputes have arisen within the federal government in connection with discussions concerning the authorization for an increase in the federal debt ceiling. Any failure by Congress to increase the Federal debt limit may impact the federal government's ability to incur additional debt, pay its existing debt instruments, and to satisfy its obligations relating to the Medicare and Medicaid programs. Management of the Corporation is unable to determine at this time what impact any failure to increase the federal debt limit may have on the operations and financial condition of the Corporation, although such impact may be material and adverse. Additionally, the market price or marketability of the Corporation's outstanding bonds in the secondary market may be materially adversely impacted by any failure to increase the federal debt limit.

Health Care Reform

The Affordable Care Act ("ACA"), has significantly changed, and continues to change, how health care services are covered, delivered, and financed in the United States. The primary goal of the ACA – extending health coverage to millions of uninsured legal U.S. residents – has taken place through a combination of private sector health insurance reforms and Medicaid program expansion (discussed below). To fund Medicaid expansion, the ACA includes a broad array of quality improvement programs, cost-efficiency incentives, and enhanced fraud and abuse enforcement measures, each designed to generate savings within the Medicare and Medicaid programs. Additionally, the ACA created health insurance exchanges – competitive markets for individuals and small employers to purchase health insurance – and financial programs designed to encourage insurance companies to offer plans on the health insurance exchanges.

Implementation of the various ACA initiatives is ongoing and will require extensive time and expense. The future of the ACA and its implementation, however, is uncertain as the ACA has continually been the subject of legal and political challenges and national debate. Whether or not the ACA remains in effect, it is expected that the federal and state governments will continue to consider various reform proposals in the health care industry. Any future health care reform initiatives may subject health care providers to increased compliance requirements, reduced reimbursement for services, increased costs, or a combination thereof.

Beginning in 2017, President Donald Trump and leadership of the then-Republican-controlled Congress commenced actions to repeal the ACA. On January 20, 2017, President Trump issued an executive order to effectively repeal two major provisions of the ACA: the individual mandate and the requirement that large employers offer coverage to their full-time workers. In May 2017, the House passed the American Health Care Act ("AHCA"), the first step of an ultimately unsuccessful plan to repeal and replace the ACA. Procedurally, the AHCA

was written to fit within the budget reconciliation process, and therefore limited to repealing only the budget-related provisions of the ACA. A budget reconciliation bill only requires a majority vote for passage, whereas the repeal of non-budget related provisions of the ACA requires an affirmative vote of at least 60 votes to avoid a filibuster by the opponents of the law under the Senate's "Byrd rule". Before the budget reconciliation opportunity expired in late September, Senate leadership introduced its own version of the bill, the Better Care Reconciliation Act ("BCRA"), which was later modified into the Health Care Freedom Act ("HCFA"), a "skinnier" version of the BCRA, and further altered in September by the Graham-Cassidy-Heller-Johnson Amendment. Each bill provided for some form of phased elimination of the Medicaid expansion provisions and transferred control of all or most of the market reforms and Medicaid program requirements to the States. The Congressional Budget Office published projections on each version, advising that if enacted, each would lead to a substantial increase in uninsured Americans. Ultimately, none of the bills obtained enough votes to pass before the Senate.

In the wake of its failure to repeal the ACA in its entirety, Congress has turned to an incremental repeal approach. In the December 2017 tax legislation and the January 2018 government spending authorization bills, Congress delayed taxes on medical devices for an additional two years and delayed the tax on highly valued employer group plans (known as the Cadillac Tax) until 2022. These taxes and penalties were intended to fund the ACA coverage subsidies.

Congress repealed the enforcement mechanism applicable to the individual mandate, and, effectively, the mandate itself in December 2017. This has the potential to cause adverse selection and rapid cost increases in the individual market as people in good health opt out of more expensive coverage and people with high-cost health conditions remain insured. Individual states have implemented statewide individual mandates in response to the repeal of the federal mandate. For jurisdictions not subject to an individual mandate mechanism, health insurance issuers may face greater exposure to material adverse impacts on their finances and operations.

The federal government has also taken steps to reduce Medicaid expenditures by, among other steps, streamlining the process for states to obtain waivers of Medicaid coverage mandates. For example, CMS approved Kentucky's plan to introduce employment requirements for Medicaid eligibility. Other efforts to weaken the ACA include the Trump administration's refusal to defend key parts of the ACA in a federal case filed in Texas, where plaintiffs have argued that the ACA is unconstitutional as a result of the repeal of the individual mandate penalty. On December 14, 2018, the federal judge ruled in favor of the plaintiffs, holding the elimination of the tax penalty makes the individual mandate an unconstitutional exercise of Congress' taxing power, the basis for upholding the Affordable Care Act in the 2012 Supreme Court case *Nat'l Fed. of Independent Bus. v. Sebelius*. Because the judge found the balance of the Affordable Care Act was not severable from the unconstitutional individual mandate, the district court held the entire Affordable Care Act was unconstitutional. On appeal, the Fifth Circuit agreed with the district court that the tax penalty is unconstitutional, however it did not decide that the rest of the ACA was also unconstitutional. Instead, it remanded the decision. In January 2020, the Supreme Court denied a request for an expedited review of the Fifth Circuit decision. The Affordable Care Act remains the law while these appeals are pending; however, there remains uncertainty around the extent to which the Affordable Care Act could be struck down, which creates operational risk for the healthcare industry. While the ACA cannot be repealed in its entirety through regulatory actions, the sustainability of the exchange plans may depend upon these regulatory actions. These actions may result in withdrawals by health insurance carriers from the marketplace exchanges, higher premiums for plan members, less comprehensive benefits coverage within insurance plans, and additional increase in the number of uninsured individuals in the future.

Certain portions of the ACA are briefly described below:

1. Private Health Insurance Coverage Expansion/Insurance Market Reforms. One key provision of the ACA was the Individual Mandate Tax Penalty which required most Americans to maintain "minimum essential" health coverage or pay a tax penalty to the federal government. Individuals who were not deemed exempt from the Individual Mandate Tax Penalty and otherwise did not obtain health coverage through an employer or government program were expected to satisfy the mandate by purchasing insurance from a private company or through a "health insurance exchange." The health insurance exchanges are government-established organizations that provide competitive markets for buying health insurance by offering individuals and small employers a choice of different health plans, certifying plans that participate, and providing information to help consumers better understand their options. As discussed above, the Tax Cuts and Jobs Act described further below, effectively eliminated the

Individual Mandate Tax Penalty by reducing the penalty to zero dollars effective January 1, 2019. While the effect of the elimination of the Individual Mandate Tax Penalty remains uncertain, it has been predicted that it will result in fewer healthy individuals purchasing insurance (through the exchanges or otherwise) and increase the number of uninsured individuals.

The health insurance exchanges may have a positive impact for health care facilities to the extent they increase the number of individuals with health insurance. Conversely, health insurance exchanges may have a negative financial impact on health care providers to the extent (1) insurance plans purchased on the exchanges reimburse providers at lower rates or (2) high-deductible plans offered on the exchanges become more prevalent and lead to lower inpatient volumes as patients choose to forgo medical treatment.

The ACA also includes an "employer mandate." The "employer mandate" provisions require the imposition of penalties on employers having 50 or more employees that do not offer qualifying health insurance coverage to those working 30 or more hours per week. The ACA also established a number of other health insurance market reforms, including bans on lifetime limits and pre-existing condition exclusions, new benefit mandates, and increased dependent coverage (until the age of 26).

Management cannot predict the future of the health insurance markets or the effects of current and future health reform efforts on such markets, though such effects may materially affect The Corporation's business or financial condition.

2. Medicaid Expansion. Another key provision of the ACA is the expansion of Medicaid coverage. Prior to the passage of the ACA, the Medicaid program offered federal funding to states to assist limited categories of low-income individuals (including children, pregnant women, the blind and the disabled) in obtaining medical care. The ACA permits states to expand Medicaid program eligibility to virtually all individuals under 65-years old with incomes up to 138% of the federal poverty level, and provides enhanced federal funding to states that opt to expand. There is no deadline for a state to undertake expansion and qualify for the enhanced federal funding available under the ACA. As of May 2020, 37 states, including the District of Columbia, have expanded Medicaid. For states that choose not to participate in the federally funded Medicaid expansion, the net positive effect of ACA reforms has been significantly reduced. See "State Medicaid Program" below.

3. Spending Reductions. The ACA contains a number of provisions designed to significantly reduce Medicare and Medicaid program spending, including: (1) negative adjustments to the "market basket" updates for Medicare's inpatient, outpatient, long-term acute and inpatient rehabilitation prospective payment systems, and (2) reductions to Medicare and Medicaid disproportionate share hospital ("DSH") payments. Any reductions to reimbursement under the Medicare and Medicaid programs could have a material adverse impact on the business or financial condition of the Obligated Group to the extent such reductions are not offset by increased revenues from providing care to previously uninsured individuals or from other sources.

4. Quality Improvement and Clinical Integration Initiatives. The ACA mandated the creation of a number of payment reform measures designed to incentivize or penalize hospitals based on quality, efficiency and clinical integration measures and authorizes the Center for Medicare & Medicaid Innovation within CMS to develop and test new payment methodologies designed to improve quality of care and lower costs. Current programs include (1) the "Readmission Reduction Program," which reduces Medicare payments by specified percentages to hospitals with excess or preventable hospital admissions based on historical discharge data, (2) the "Hospital Value-Based Purchasing Program," which imposes an across-the-board reduction in inpatient reimbursement and then reallocates and redistributes those funds to hospitals based on quality and patient experience measures, and (3) the "Hospital-Acquired Condition Reduction Program," which negatively adjusts payments to applicable hospitals that rank in the worst-performing quartile for risk-adjusted hospital-acquired condition measures. Management is not currently aware of any situation in which an ACA quality, efficiency, or clinical integration program is materially adversely affecting the business or financial condition of The Corporation. However, The Corporation's business or financial condition may be adversely affected by such programs in the future.

5. Fraud and Abuse Enforcement Enhancements. In an attempt to reduce unnecessary health care spending, the ACA includes a number of provisions aimed at combating fraud and abuse within the Medicare and Medicaid programs. Such provisions provide increased federal funding to fight health care fraud and abuse, provide

government agencies with additional enforcement tools and investigation flexibility, facilitate cooperation between agencies by establishing mechanisms for information sharing, and enhance criminal and administrative penalties for non-compliance with the federal fraud and abuse laws (e.g., the Anti-Kickback Law, the Stark Law and the FCA, each as defined and discussed below). Management is not currently aware of any pending recovery audit which, if determined adversely to The Corporation, would materially adversely affect the business or financial condition of The Corporation.

To the extent the ACA remains law, it is difficult to predict the full impact of the ACA on The Corporation's future revenues and operations due to uncertainty regarding a number of material factors, including: (1) the number of uninsured individuals to ultimately obtain and retain insurance coverage as a result of the ACA, (2) the percentage of any newly insured patients covered by Medicaid versus a commercial plan, (3) the pace at which insurance coverage expands, (4) future changes in the reimbursement rates and methods, (5) the percentage of individuals in the exchanges who select the high-deductible plans, (6) the extent to which the enhanced program integrity and fraud and abuse provisions lead to a greater number of civil or criminal actions, (7) the extent to which the ACA tightens health insurers' profits, causing the plans to reduce reimbursement rates, (8) the extent of lost revenues, if any, resulting from ACA quality initiatives, and (9) the success of any clinical integration efforts or programs in which The Corporation participates.

Healthcare Delivery Reforms. The ACA includes numerous demonstrative and pilot programs aimed at changing the current delivery of health care to focus on care coordination among healthcare providers and the use of data to maximize the effectiveness of care and eliminating waste. These programs, such as Accountable Care Organization, Medical Homes and value-based purchasing, incorporate risk-sharing between and among the payors and the providers and require start-up investments by providers. The Corporation is participating in several programs.

The Corporation is responding to the changes resulting from the ACA and health care reform generally and will continue to do so in order to assess its effects on current and projected operations, financial performance and financial condition. However, management of the Corporation cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation.

New York State Department of Health Regulations

The Corporation is subject to regulations issued by the New York State Department of Health ("DOH"). Compliance with such regulations may require substantial expenditures for administrative or other costs. Regulations of DOH could change, requiring the Corporation to provide more uncompensated care than is currently required. DOH could decide to revoke or not renew the operating certificate of the Corporation for failure to comply with regulatory requirements. The Corporation's ability to provide services or maintain beds or to modify certain existing services is also subject to DOH review and approval. Approval can be highly discretionary, may involve substantial delay, and may require substantial changes in the proposed request. Accordingly, the Corporation's ability to make changes to their services and respond to changes in the competitive environment may be limited.

Healthcare Environment

As a not-for-profit tax exempt organizations, the Corporation is subject to federal, state and local laws, regulations, rulings and court decisions relating to their organizations and operations, including their operations for charitable purposes.

Recently, an increasing number of the operations or practices of healthcare providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for not-for-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 some cases are an attempt to examine core business practices of healthcare organizations. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care methods of providing and reporting community benefit, executive compensation, exemption of property from real property taxation, private use of facilities financed with tax-exempt bonds 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. These challenges or examinations include the following, among others:

IRS Form 990 for Not-for-Profit Corporations. The IRS Form 990 is used by 501(c)(3) not-for-profit organizations (including the Corporation) to submit information required by the federal government for tax exemption. 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. Form 990 makes a wealth of detailed information on compliance risk areas available to the IRS and other enforcement agencies.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed against various not-for-profit health care providers in federal and state courts across the country regarding billing and collection practices relating to the uninsured. The lawsuits are premised on the notion that federal and state laws require not-for-profit health care providers to provide certain levels of free or discounted health care to the uninsured. Thus, the plaintiffs in those lawsuits have alleged, among other things, that the defendants violated federal and state law by billing the uninsured at undiscounted rates, that the medical bills the defendants sent to the uninsured are inflated, and that the defendants engaged in unfair debt collection practices.

The foregoing are some examples of the challenges and examinations facing not-for-profit healthcare organizations. They are indicative of a greater scrutiny of the billing, collection and other business practices of these organizations, and may indicate an increasingly more difficult operating environment for healthcare organizations. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on the Obligated Group.

Charity Care. Hospitals are permitted to qualify for tax-exempt status under the Code because the provision of health care historically has been treated as a "charitable" enterprise. This treatment arose before most Americans had health insurance, when charitable donations were required to fund the health care provided to the sick and disabled. Some commentators and others have taken the position that, with the onset of employer health insurance and governmental reimbursement programs, there is no longer any justification for special tax treatment for the health care industry, and the availability for tax-exempt status should be eliminated. Federal and state tax authorities are beginning to demand that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits. Charity care issues also serve as the basis of certain claims against major hospital systems throughout the United States on behalf of uninsured patients.

IRS Enforcement of Community Benefit. The IRS has undertaken a community benefit initiative directed at hospitals. The IRS determined that a lack of uniformity in definitions of community benefit used by reporting hospitals, including those regarding uncompensated care and various types of benefits, made it difficult for the IRS to assess whether any particular hospital is in compliance with current law. As a result, hospitals are required to complete Schedule H of Form 990 to report their community benefit activities, including the cost of providing charity care and other tax-exemption related information. Proposals have also been made in Congress 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.

Risks Related to Rules Governing Reimbursement for Healthcare Services

The Medicare and Medicaid Programs. Medicare and Medicaid are the commonly used names for health care reimbursement or payment programs governed by certain provisions of the federal Social Security Act Amendments of 1965. The federal government, the largest health care purchaser in the country, uses reimbursement as a key tool to implement health care policies, to allocate health care resources and to control utilization, facility and provider development and expansion, and promote the use and development of health technology. These programs reflect the national policy that persons who are aged and persons who are poor should be entitled to receive medical care regardless of ability to pay. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, disabled or qualify for the End Stage Renal Disease Program. Medicare Part A covers inpatient hospital, home health, nursing home care and certain other services, and Medicare Part B covers certain physicians' services, medical supplies and durable medical equipment. Medicare Part C, the Medicare Advantage

program (formerly known as the Medicare+Choice Program) enables Medicare beneficiaries who are entitled to Part A and are enrolled in Part B to choose to obtain their benefits through a variety of private, managed care, risk-based plans.

In December 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("MMA") was signed into law. This law provides for Medicare Part D, under which outpatient prescription drug benefits are available to Medicare beneficiaries. MMA also enhanced the Medicare Part C managed care programs. The private Medicare Part D plans are funded through premium payments from enrolled Medicare beneficiaries and subsidies from the federal government. Enrollment is available on an ongoing and intermittent basis. While participation in the program is voluntary, those who wait to enroll beyond their initial point of eligibility are penalized with additional surcharges which increase over time. The ACA includes changes to the Medicare Part D program, including the gradual reduction of the cost sharing burden by beneficiaries under Medicare Part D (the so-called "donut hole"). Although Medicare Part D reimbursement does not cover inpatient prescriptions, changes in enrollment or program administration could affect the Corporation's revenue. An expansion of coverage for outpatient pharmaceutical therapy may reduce the Corporation's admissions or shift the characteristics of those patients that are admitted.

Medicaid is designed to pay providers for care given to the low-income and other persons who qualify based on certain conditions. Medicaid is funded by federal and state appropriations and is administered by an agency of the applicable state. Under the ACA beginning January, 2014, states have the option to expand Medicaid eligibility to cover individuals with income under 133% of the Federal Poverty Level ("FPL"). See Medicaid Reimbursement below for more information.

Conditions of Participation. Hospitals must comply with standards called "Conditions of Participation" in order to be eligible for Medicare and Medicaid reimbursement. CMS is the federal agency responsible for ensuring that hospitals meet the regulatory Conditions of Participation. Generally, under Medicare rules, hospitals accredited by the Joint Commission (a private not-for-profit corporation that accredits health care programs and providers in the United States) are deemed to meet the Conditions of Participation. Failure to maintain Joint Commission accreditation or to otherwise comply with the Conditions of Participation could have a materially adverse effect on the continued participation in the Medicare and Medicaid programs, and ultimately on the revenues of the Corporation. The Medicare Improvements for Patients and Providers Act of 2008 revised hospital accreditation standards, revoking the exclusive deeming authority of the Joint Commission. While each hospital certified by the Joint Commission will continue to be certified for the duration of its accreditation, the process going forward has been opened to competition between accrediting organizations. It is not clear what effect, if any, this legislation will have on the Corporation's accreditation in the future.

CMS issued a final rule reforming the Conditions of Participation for hospitals and critical access hospitals, which became effective July 16, 2012. The revised Conditions of Participation are an attempt to increase the flexibility and eliminate the burden of certain elements of the Conditions of Participation. The Corporation cannot anticipate the effect of the reformed Conditions of Participation on the Corporation and its affiliates but continues to analyze the full impact of the final regulation to maintain compliance with the Conditions of Participation.

Medicare. Medicare is administered by CMS which delegates to the states the process for certifying those organizations to which CMS will make payment. The HHS's rule-making authority is substantial and the rules are extensive and complex. Substantial deference is given by courts to rules promulgated by HHS.

Medicare claims are processed by non-government organizations or agencies that contract to serve as the fiscal agent between providers and the federal government to locally process Medicare's Part A and Part B claims. These claims processors are known as "Medicare Administrative Contractors" or "MACs". They apply the Medicare coverage rules to determine the appropriateness of claims. CMS selects organizations (generally insurance companies) to act as MACs in various states or regions, and enters into a "prime contract" with each. Most Medicare hospital services are provided through a fixed rate per case program under the reimbursement methods described below. Some Medicare recipients, however, enroll in Medicare Advantage managed care plans, which reimburse providers on a contractually determined basis. Health care providers that participate in the Medicare program must agree to be bound by the terms and conditions of the program such as meeting the quality

standards for rendering covered services and adopting and enforcing policies to protect patients from certain discriminatory practices.

The ACA reduces cost sharing by Medicare beneficiaries for certain preventive services and wellness visits and expands coverage for these services. It also includes programs that link Medicare payments for hospitals and physicians with quality outcomes and the development of new patient care models that stress primary care and community-based care. The objective of these programs is to manage chronic diseases better and to reduce inpatient admissions and other high cost care provided by health care facilities, such as hospitals and nursing homes. While additional governmental reporting, oversight and audits are a certainty, it is difficult to determine what effect the health care reform legislation and its implementation will ultimately have on the financial or operating condition of the Corporation or its competitors in the future.

The Bipartisan Budget Act of 2015 (the "BBA 2015") changed the reimbursement methodology for items and services furnished in certain off-campus hospital outpatient departments ("HOPDs"). Beginning January 1, 2017, off-campus HOPDs established on or after November 2, 2015 ("non-excepted HOPDs") are no longer eligible for payment under the hospital outpatient prospective payment system ("OPPS") for non-emergency services. A hospital outpatient department is considered to be "off-campus" if it is located more than 250 yards from a main provider hospital or a remote location of a hospital. Instead, non-emergency services performed at these facilities will be paid under the Medicare Physician Fee Schedule ("PFS") at a set of PFS payment rates that are specific to hospitals. Effective January 1, 2018, these hospital specific PFS rates are based on 40% of the comparable OPPS rate. Beginning January 1, 2019, CMS began applying the PFS equivalent pay rate for certain evaluation and management services when provided at an off-campus HOPD that is paid under the OPPS, including at those HOPDs grandfathered under BBA 2015, stepping down from 70% of OPPS rates in 2019 and 40% of OPPS rates in 2020 and thereafter. The reimbursement changes implemented under the BBA 2015 and the recent CMS reimbursement policies for calendar year 2019 threaten to further reduce revenues to off-campus HOPDs. Following a successful challenge by hospitals to these reimbursement changes in U.S. District Court in 2019, CMS announced its plans to reimburse hospitals for site-neutral payment cuts the agency made to off-campus hospital facilities in 2019. However, CMS will continue phasing in the site-neutral payment policy to pay off-campus departments at the 40% of OPPS rate in 2020.

System Inpatient Services. Medicare payments for operating expenses incurred in the delivery of inpatient hospital services and inpatient psychiatric services are based on a prospective payment system ("PPS") which essentially pays hospitals a fixed amount for each Medicare in-patient discharge based upon patient diagnosis and certain other factors used to classify each patient into a Diagnosis Related Group ("DRG"), or more recently Medical Severity DRGs or "MS-DRGs". Each MS-DRG is given a relative value from which a fixed payment can then be established. With limited exceptions, such payments are not adjusted for actual costs, variations in intensity of illness, or length of stay. MS DRG rates are adjusted annually by the use of an "update factor" based on the projected increase in a market basket inflation index which measures changes in the costs of goods and services purchased by hospitals, but the adjustments historically have not kept pace with inflation.

If a hospital treats a patient and incurs less cost than the applicable MS-DRG-based payment, the hospital will be entitled to retain the difference. Conversely, if a hospital's cost for treating the patient exceeds the DRG-based payment, the hospital generally will not be entitled to any additional payment. CMS continually attempts to adjust reimbursements to better reflect hospital costs rather than charges. If a case is unusually complex or expensive, it may qualify for an "outlier" payment, which is added to the MS-DRG-adjusted base rate payment. There can be no assurance that payments under the PPS will be sufficient to cover all actual costs of providing inpatient hospital services to Medicare patients. The MS-DRG system has undergone changes to increase and refine the classifications system, with certain classifications receiving increases in payment and others a decrease. There can be no assurance that payments under PPS will be sufficient to cover all actual costs of providing in-patient hospital services to Medicare patients.

Medicare and Medicaid currently make additional payments to hospitals that serve a disproportionate share of low income patients. Beginning in 2014, the ACA incrementally reduced the Medicare payments for disproportionate share hospitals by 75%, or $49 billion by 2019. The 2014 final rule for inpatient PPS established a new policy for the distributions of the Medicare DSH, which will be based on hospitals' uncompensated care. Congress has repeatedly delayed reductions to Medicaid DSH payments. For example, the Bipartisan Budget Act of

2018 eliminated fiscal year 2018 and fiscal year 2019 Medicaid DSH reductions, but maintained the $4 billion in reductions for fiscal year 2020, and set the amount of Medicaid DSH reductions for fiscal year 2021 through fiscal year 2025 at $8 billion per fiscal year. The CARES Act further delayed the implementation of Medicaid DSH payment reductions, until November 30, 2020.

Effective October 1, 2013, CMS adopted a policy known as the Inpatient Hospital Prepayment Review "Probe & Educate" review process or the "Two-Midnight" rule. The "Two-Midnight" rule specifies that hospital stays spanning two or more midnights after the beneficiary is properly and formally admitted as an inpatient will be presumed to be "reasonable and necessary" for purposes of inpatient reimbursement. With some exceptions, stays not expected to extend past two midnights should not be admitted and instead should be billed as outpatient. Enforcement of the "Two-Midnight" rule was ultimately delayed until the end of 2015. Effective October 1, 2015, responsibility for initial review of inpatient admissions shifted from Medicare Administrative Contractors to quality improvement organizations ("QIO"), and recovery audit contractors will only conduct reviews for providers that have been referred by the related QIO. The Outpatient PPS Final Rule, issued in November 2015 and effective January 1, 2016, revised the Two-Midnight Rule to allow an exception for Medicare Part A payment on a case-by-case basis for inpatient admissions that do not satisfy the two-midnight benchmark if documentation in the medical records supports that the patient required inpatient care. CMS has announced that it will not continue to impose an inpatient payment cut to hospitals under the "Two-Midnight" rule starting in 2017 following ongoing industry criticism and a legal challenge. In the 2017 Medicare IPPS final rule released on August 2, 2016, CMS permanently removed the inpatient payment cuts under the "Two-Midnight" rule for fiscal year 2017 and onward and provided a temporary increase of approximately 0.8% payment in fiscal year 2017 to help offset the fiscal year 2014-2016 cuts under the "Two-Midnight" rule.

In September 2019, a CMS final rule formulated a methodology for calculating the annual Medicaid DSH reductions for fiscal years 2020 through 2025. The methodology uses five factors (the uninsured factor (UPF), Medicaid volume factor (HMF), uncompensated care factor (HUF), low DSH state factor (LDF), and budget neutrality factor (BNF)) to calculate DSH reduction applicable to individual states. DSH adjustments may impact the Obligated Group. There can be no assurance that payments received by the Obligated Group will be sufficient to cover all actual costs of providing inpatient hospital services to Medicare patients.

The ACA continues and expands earlier Congressional measures taken to address the growing cost of the Medicare and Medicaid programs. CMS periodically promulgates regulations, such as its annual inpatient PPS rules, to adjust the rates paid to hospitals based on its continuing experience with hospital operating and capital costs, and to implement various quality improvement, patient safety and fraud and abuse programs. Depending on the mix of future services delivered, the overall result of these changes to the inpatient PPS reimbursement rules may be to reduce Medicare reimbursement to the Corporation.

System Outpatient Services. Medicare hospital outpatient services are also reimbursed on a prospective payment basis. Under the outpatient PPS methodology, procedures, evaluations and management services, and drugs and devices in outpatient departments are classified into one of approximately 750 groups called Ambulatory Payment Classifications ("APC"). Services provided within an APC are similar clinically and in terms of the resources they require. Each APC is assigned a weight derived from the median hospital cost of the services in the group relative to the median hospital cost of the services included in the APC for mid-level clinic visits. CMS determines the portion of the median labor related hospital costs and adjusts those costs for variations in hospital labor costs across geographic regions.

Payment rates for each APC are calculated by multiplying the relative weight for an APC by a conversion factor to arrive at a dollar figure. Outpatient PPS includes additional adjustments for transitional pass-through payments and outlier payments. Transitional pass-through payments are costs associated with new technology items (drugs, biologicals and medical devices) that were not reflected in the data that CMS used to calculate PPS payment rates, and are intended to allow for adequate payment of new and innovative technology until there is enough data to incorporate the costs for these items into the base APC group.

APCs include payment for related ancillary services provided in conjunction with the procedure or medical visit. Although hospitals may receive payment for more than one APC for an encounter, payment for multiple surgical APC procedures are subject to substantial discounting.

CMS makes annual changes to its policies and payment structure with respect to outpatient services in response to an increase in amounts paid for outpatient services delivered to Medicare patients. For example, CMS adjusted the market basket update in 2007 and tied rate increases to additional quality measure reporting requirements applicable to outpatient services beginning in 2009. CMS also revised the APC structure, expanding a hospital's ability to be reimbursed for infusion services. In exchange, CMS reduced per diem payments to hospital outpatient departments for the delivery of partial hospitalization services. Additionally, CMS adjusted the reimbursement rates for Ambulatory Surgery Centers to reflect the reimbursement for equivalent procedures being delivered in hospital outpatient departments. Overall, these changes to the outpatient prospective payment system may result in decreased reimbursement for services, depending on the service mix that the Corporation can expect to deliver in the future.

Outpatient renal dialysis services are reimbursed on the basis of prospective reimbursement, though different rates are paid for hospital-based and free-standing facilities, and are adjusted for geographic differences in labor costs. This composite rate is the same regardless of whether the treatment is furnished in the facility or in the patient's home to incentivize home dialysis, and must be accepted by the facility as payment in full for covered outpatient dialysis.

Under outpatient PPS, a hospital with costs exceeding the applicable payment rate would incur losses on such services provided to Medicare beneficiaries. There can be no assurance that outpatient PPS payments will be sufficient to cover all of the Corporation's actual costs of providing hospital outpatient services to Medicare patients.

Physician Payments. Payment for physician fees is covered under Part B of Medicare. Under Part B, physician services are reimbursed in an amount equal to the lesser of actual charges or the amount determined under a fee schedule known as the "resource-based relative value scale" or "RBRVS". RBRVS sets a relative value for each physician service; that value is then multiplied by a geographic adjustment factor and a nationally-uniform conversion factor to determine the amount Medicare will pay for each service.

In October 2011, the Medicare Payment Advisory Commission ("MedPAC") recommended to Congress that the Sustainable Growth Rate ("SGR") system be fully repealed and replaced by a different methodology for determining the nationally-uniform conversion factor. With the enactment of the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA"), the SGR System was repealed. Beginning in July 2015 and continuing through 2019, the Medicare Physician's Fee Schedule ("PFS") increased by 0.5% annually. The PFS will then remain at the same reimbursement level for five years (2020-2025). Beginning in 2026, the PFS will be increased either by (i) 0.25% annually for providers participating in the Merit-Based Incentive Payment System, or (ii) 0.75% annually for providers participating in Alternative Payment Models.

Under MACRA, CMS created a new framework to reward health care providers to provide better care rather than more care, and combined the existing quality reporting programs under one new system: the MACRA Quality Payment Program. The MACRA Quality Payment Program is comprised of the Merit-Based Incentive Payment System ("MIPS") and Advanced Alternative Payment Models ("APMs"). Both MIPS and APMs went into effect in 2015 and will continue to be implemented over several years. MIPS and APMs are two alternative tracks for physicians. MIPS combines the Physician Quality Reporting System, Electronic Health Records Incentive Program, and Physician Value-Based Modifier into a single payment adjustment. The payment adjustment can be an increase or a decrease. The MIPS creates four categories which will be used to calculate the payment adjustment:

1. Quality (which will be 50% of the total adjustment in 2019 and decrease to 30% of the total adjustment by 2021);

2. Resource Use (which will be 10% of the total adjustment in 2019 and increase to 30% of the total adjustment by 2021);

3. Clinical Improvement (which will be 15% of the total adjustment); and

4. Electronic Health Record Use (which will be 25% of the total adjustment).

The range of potential payment adjustments based on performance increases each year through 2022. The adjustments are capped (both positively and negatively) as follows: plus/minus 4% in 2019; plus/minus 5% in 2020; plus/minus 7% in 2021; and plus/minus 9% from in 2022 and onward. The program is designed to be budget neutral, meaning the total negative adjustments will equal total positive adjustments across all providers. Additionally, high performers are eligible to share in an additional pool of bonus funds.

Alternatively, providers may participate in the Alternative Payment Models ("APMs"). APMs are programs that involve more than nominal financial risk on behalf of the provider. MACRA had created an advisory panel to consider proposals for new payments models and coverage for telehealth services in APMs. By April 1, 2017, the Secretary must establish criteria for the panel to use in making recommendations on the APMs. By July 1, 2017, MedPAC must submit a report to Congress on how physician spending and ordering patterns relate to spending under Parts A, B, and D. A final report is due by July 1, 2021.

From 2019 through 2024, providers qualifying for APMs will receive an annual lump sum bonus of 5% of PFS payments. To qualify for APM participation, providers must meet a certain threshold for the percentage of revenue received through qualifying APMs, which will increase over time. Providers are also required to report quality measures and use electronic health records. Providers who have not reached these thresholds, but whose revenue is close to the required threshold may be exempt from adjustments. For 2026 and after, physicians who qualify for APMs are excluded from MIPS adjustments and receive higher fee schedule updates.

The specific parameters of these programs are still being developed by CMS. The new quality reporting programs may negatively impact the reimbursement amounts received by the Corporation for the cost of providing physician services.

In July 2014, CMS proposed to transition all 10-day and 90-day global billing codes to 0-day global codes in 2017 and 2018, respectively. Under this proposal, medically reasonable and necessary visits would have been billed separately during the preoperative and postoperative periods outside the day of the surgical procedure. MACRA preserved the 10-day and 90-day global billing period for over 4,000 surgical service codes, reversing the CMS rule.

On March 22, 2020, CMS announced additional extreme and uncontrollable circumstances policy exceptions from reporting requirements and extensions for clinicians and providers participating in Medicare quality reporting programs with respect to upcoming measure reporting and data submissions. This announcement was made as part of the Trump Administration's COVID-19 relief efforts.

There can be no assurance that payments to the Corporation for the services of its employed physicians or other employed health care professionals will be sufficient to fully reimburse the Corporation for its cost of providing the services of such professionals.

System Capital Expenditures. Medicare payments for capital costs are based upon a PPS system similar to that applicable to operating costs. Payment for capital related costs for all hospitals will be determined based on a standardized amount referred to as the federal rate. Payments for capital costs are calculated by multiplying the federal rate by the DRG weight for each discharge and by a geographical adjustment factor. The payments are subject to further adjustment by a disproportionate share hospital factor that contemplates the increased capital costs associated with providing care to low income patients, and an indirect medical education factor that contemplates the increased capital costs associated with medical education programs.

There can be no assurance that payments under the PPS inpatient capital costs regulations will be sufficient to fully reimburse System for its capital expenditures.

Medical Education Costs. Under PPS, teaching hospitals receive additional payments from Medicare for certain direct and indirect costs related to their graduate medical education ("GME") programs. Direct graduate medical education ("DGME") payments compensate teaching hospitals for the cost directly related to educating residents. Such costs include the residents' stipends and benefits, the salaries and benefits of supervising faculty, other costs directly attributable to the GME program, and allocated overhead costs. Payment for direct medical

education costs are calculated based upon set formulae taking into account hospital-specific medical education costs associated with each resident, the number of full-time equivalent residents, and the proportion of Medicare inpatient days to non-Medicare inpatient days. Indirect medical education payments compensate teaching hospitals for the higher patient care costs they incur relative to non-teaching hospitals. Those indirect payments are issued as a percentage adjustment to the PPS payments. The calculation for both the direct part and the indirect part of Medicare payments for GME include certain limitations on the number and classification of full-time equivalent residents reimbursed by Medicare.

The ACA includes some increases to funding for primary care residency programs and provides grants to establish teaching health centers, which are community based ambulatory patient care centers. It also establishes other programs to encourage the training and development of more primary care residents (including family medicine, internal medicine, pediatrics, obstetrics and gynecology, psychiatry and geriatrics) and the primary care workforce.

The formulae used to determine payments for medical education do not necessarily reflect the actual costs of such education, and the federal government will continue to evaluate its policy on graduate medical education and teaching hospital payments. There can be no assurance that payments to the Corporation under the Medicare program will be adequate to cover its direct and indirect costs of providing medical education to interns, residents, fellows and allied health professionals.

Outlier Payments. As noted above, hospitals are eligible to receive additional payments under the inpatient PPS for individual cases incurring extraordinarily high costs. Historically, the amount of an outlier payment was based, in part, on the hospital charges for a particular case as compared to that hospital's cost-to-charge ratio. As the hospital specific cost-to-charge ratio was calculated based on the most recently settled cost report, it was typically many months or years old and out of date.

Following an audit of aggressive pricing strategies at one of the nation's largest hospital chains, and a determination that some hospitals might be manipulating current hospital charge data to maximize reimbursement from Medicare under the outlier payment provisions, the Office of the Inspector General of HHS ("OIG") began investigating past outlier billing practices, and CMS amended the regulations on how outlier payments were to be calculated in the future. The methodology for calculating outlier payments went into effect in August 2003. It was designed to prevent hospitals from manipulating the outlier formula to maximize reimbursement and allows for recovery of overpayments in certain cases.

The OIG continues to scrutinize outlier payments in an effort to determine whether outlier payments to the hospitals were paid in accordance with Medicare regulations or whether such payments were the result of potentially abusive billing practices. While the Corporation believes that it has calculated its outlier payments appropriately, there can be no assurance that the Corporation will not become the subject of an investigation or audit with respect to its past outlier payments, or that such an audit would not have a material adverse impact on the Corporation. Moreover, there can be no assurance that any future revisions to the formula for calculating outlier payments will not reduce the payments to the Corporation, or that any such reduction will not have a material adverse impact on the Corporation.

Section 340B Drug Pricing Program. Hospitals that serve a high percentage of low-income patients are eligible for reduced pricing on certain covered outpatient drugs through the 340B program ("340B Program").

CMS's calendar year 2018 final OPPS rule substantially reduced Medicare Part B reimbursement for 340B Program drugs paid to hospitals and ASCs. In December 2018, the U.S. District Court for the District of Columbia ruled that HHS did not have statutory authority to implement the Medicare OPPS rate reduction related to hospitals that qualify for drug discounts under the 340B Program and granted a permanent injunction against the payment reduction. The hospitals subsequently asked the court for a permanent injunction on the 2019 OPPS final rule. On May 6, 2019, the court held that the 2018 and 2019 rate reductions were unlawful and remanded the rules back to HHS. The case has been appealed by HHS. Meanwhile, CMS finalized its 2020 OPPS final rule, which maintained the average sales price ("ASP") minus 22.5% payment rate. Management is unable to predict the ultimate outcome of any appeal and the type of relief that may be ordered by the courts.

A decrease in reimbursement for 340B Program drugs or loss of discount procurement opportunities could have an adverse effect on the Corporation. Congress is considering further changes to the 340B Program and the regulatory environment for the 340B Program remains uncertain. Any reduction in eligibility for, or other further changes to, the 340B Program generally could have a materially adverse effect on the Corporation.

Audits, Exclusions, Fines and Enforcement Actions. Providers participating in Medicare are subject to audits and retroactive audit adjustments by fiscal intermediaries under the Medicare program. From an audit, a fiscal intermediary may conclude that a patient discharge has been claimed under an incorrect MS-DRG, that services may not have been provided under the direct supervision of a physician (to the extent so required), that a patient should not have been characterized as an inpatient, that certain services provided prior to admission as an inpatient should not have been billed as outpatient services, that certain outpatient services were subjected to quantity limits or should have been bundled with the outpatient APC payment, or that certain required procedures or processes were not satisfied. As a consequence, payments may be retroactively disallowed. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the hospital to civil or criminal sanctions.

The federal government uses a national recovery audit contractor ("RAC") program to identify overpayments and underpayments to providers under the Medicare program. The RAC auditors are compensated on a contingent fee basis. Audits typically result in far more overpayments than underpayments. Medicare contractors will recoup RAC identified overpayments unless appeals are filed timely. RAC assessments against the Corporation are anticipated; however, the outcome of such assessments are unknown and cannot be reasonably estimated. The ACA expands the scope of the RAC program to include Medicare Parts C and D and Medicaid.

Reimbursement Under the Medicaid Program. Under Medicaid, the federal government provides grants to states that have medical assistance programs that meet federal standards. Competing pressures on the federal budget and the State's attempt to address its own budgetary needs have also resulted in uncertainty with respect to Medicaid spending. Such decreases in spending may have a material adverse impact on the future financial condition of the Corporation.

Under federal law, Medicaid coverage is mandatory for persons receiving assistance from Temporary Assistance for Needy Families (previously known as Aid to Families With Dependent Children) or the federal Supplemental Social Security ("SSI") program and for certain categories of children and pregnant women. Implementation of the Medicaid program falls to each state, however, and there are significant variations in virtually all aspects of the Medicaid program across states. State specific variations arise from the fact that the Medicaid statute allows for optional benefits and categories of beneficiaries, as well as waivers of general statutory requirements to implement specific programs or demonstration projects.

Audits, Exclusions, Fines and Enforcement Actions. Continuing the trend of enhanced program integrity enforcement under the ACA, RAC audits were extended to Medicaid providers beginning in April 2011. Health care facilities participating in Medicaid may be subject to audits and retroactive audit adjustments with respect to reimbursement claimed under those programs. Because such claims can be large or small amounts, it is impossible to predict the effect of such claims. Any such future adjustments could be material. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the provider to civil or criminal sanctions. It is unknown what, if any, impact Medicaid RAC reviews will have on the revenues of the Corporation.

Changes in Response to COVID-19. On March 22, 2020, CMS announced new tools for states to use in connection with their Medicaid programs during the COVID-19 Pandemic. The tools announced were: a 1115 demonstration opportunity to assist states with addressing the public health emergency; a 1135 waiver checklist template to expedite state abilities to apply for waivers available under the federal national emergency declaration; a 1915(c) Appendix K template to assist states in accelerating changes to their 1915(c) home and community-based services waiver operations or to request emergency amendments; and a Medicaid disaster state plan amendment template, to streamline the process for a state to submit requests for temporary changes in response to COVID-19.

Medicaid 1115 Waiver

New York State's program for mandatory Medicaid managed care 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 Medicaid managed care enrollment programs were instituted throughout New York City, and a significant portion of the Medicaid eligible population has been enrolled in managed care plans. Since 1997, the Partnership Plan 1115 Waiver has since been extended several times, most recently on December 6, 2016 effective to March 31, 2021 (see discussion of Delivery System Reform Incentive Payment waiver above), although the waiver authority for New York's Medicaid managed care program extends only through September 30, 2015. The 2011 amendments to the Partnership Plan 1115 Waiver have further extended the groups eligible and required to enroll in Medicaid managed care, which will likely result in an increase in Medicaid managed care admissions. Following the July 2015 approval of the State's value based purchasing "roadmap" under the 1115 Waiver's new value based purchasing requirements, managed care plan incentives for meeting value based purchasing goals have been added in order to encourage the development of integrated delivery systems within the State. Specific expected improvements include: (i) reducing avoidable readmissions; (ii) improving community health by expanding access to preventive and disease management programs; (iii) implementing programs aimed at improving access to preventive services; and (iv) encouraging community involvement to encourage health and wellness.

New York State Medicaid Redesign

In January 2011, Governor Andrew M. Cuomo issued Executive Order No. 5 creating the Medicaid Redesign Team ("MRT") and setting in motion a process of substantial reform of New York's Medicaid program. The MRT, comprised of health care professionals, stakeholders in the industry, and legislators, was charged with reducing Medicaid costs and improving patient care. On February 24, 2011, the MRT issued a report containing findings and recommendations for cost reductions of over $2.3 billion to the Governor for consideration in the budget negotiation process. On February 4, 2020, Governor Cuomo formed the Medicaid Redesign Team II ("MRT II"). MRT II was charged with restoring financial sustainability to the Medicaid program and advancing core healthcare strategies with a goal of reducing Medicaid spending by $2.5 billion for New York State's Fiscal Year 2021. On March 19, 2020, MRT II issued a report with proposals to meet those goals. The New York State Enacted Budget for Fiscal Year 2021 included $2.2 billion of the MRT II recommendations.

All New York State Enacted Budgets since 2011-2012 had assumed a targeted growth rate for Medicaid equal to the ten-year average change in the medical component of the Consumer Price Index. If spending in any fiscal year was projected to exceed this budget cap, the NYSDOH and the New York State Division of the Budget were authorized to develop and implement a plan of action to bring spending in line with the cap, which included modifying or reducing reimbursement methods or program benefits. In Fiscal Year 2019, the NYSDOH deferred more than $1.7 billion of Medicaid payments into Fiscal Year 2020 to avoid exceeding the budget cap, and there was a recognition at that time that additional cost savings measures would be required to control costs. MRT II's recommendations put forth savings for Fiscal Year 2020 and beyond.

The effect of the MRT II recommendations on the Corporation depends significantly on the ability to collaborate with different types of providers and relationships with Medicaid managed care plan. The recent New York State Enacted Budget maintained the prior 1% across-the-board ("ATB") reductions and added an additional ATB reduction of 0.5% in Fiscal Year 2021 and Fiscal Year 2022. Further, the $2.5 billion MRT II target was established before the recent outbreak of the COVID-19 public health emergency, which will have a significant impact on the New York State health care system. Even with the enacted savings, there can be no assurance that the anticipated Medicaid savings will be achieved or that the rate of annual growth in NYSDOH State Funds Medicaid spending will be limited. In addition, many of the cost-saving initiatives are dependent upon timely federal approvals, appropriate amendments to the existing systems and processes and a collaborative working relationship with health care industry stakeholders.

State Children's Health Insurance Program

The State Children's Health Insurance Program ("SCHIP") provides federal matching funds to states that cover 65% to 84% of the costs of health care coverage, primarily for low-income children. CMS administers

SCHIP, but each state creates its own program based on minimum federal guidelines, or the state may apply for a waiver, which allows the state to create its own program using the federal funds, but often with different criteria for eligibility. New York's SCHIP program, known by its marketing name Child Health Plus, was created by the New York Legislature in 1990.

While generally considered to be beneficial for both patients and providers because it reduces the number of uninsured children, it is difficult to assess the fiscal impact of SCHIP payments on the Corporation. Moreover, each state must periodically submit its SCHIP plan to CMS for review to determine if it meets the federal requirements. If a state does not meet the federal requirements, it may lose its federal funding for its program. From time to time Congress and/or the President seek to expand or contract SCHIP. The ACA authorized an extension of the SCHIP program through September 30, 2015. The MACR Act extended CHIP for two additional years through federal fiscal year 2017. Furthermore, the Helping Ensure Access for Little Ones, Toddlers and Hopeful Youth by Keeping Delivery Stable Act of 2018 extended federal funding for the CHIP program until 2023. The loss of federal approval for a state's program or a reduction in the amounts available under SCHIP could have an adverse impact on the financial condition of the Hospital and its affiliates.

Private Health Plans and Insurers

Certain private insurance companies contract with hospitals on an exclusive or preferred provider basis, and some insurers have introduced plans known as preferred provider organizations ("PPOs"). Under these plans, there may be financial incentives for subscribers to use only those hospitals and physicians which contract with the plans. Under an exclusive provider plan, which includes most health maintenance organizations ("HMOs"), private payors limit coverage to those services provided by network hospitals and physicians. With this contracting authority, private payors may direct patients away from hospitals not in the network by denying coverage for services provided by them.

Most PPOs and HMOs currently pay hospitals on a discounted fee-for-service basis or on a discounted fixed rate per day of care. The discounts offered to HMOs and PPOs may result in payment at less than actual cost, and the volume of patients directed to a hospital under an HMO or PPO contract may vary significantly from projections. Therefore, the financial consequences of such arrangements cannot be predicted with certainty and may be different from current or prior experience. Some HMOs offer or mandate a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" to, or otherwise directed to receive care at, a particular hospital. In a capitation payment system, the hospital assumes an insurance risk for the cost and scope of care given to such HMO's enrollees. If payment under an HMO or PPO contract is insufficient to meet the hospital's costs of care, or if use by enrollees materially exceeds projections, the financial condition of the hospital may be adversely affected.

There is no assurance that contracts of the Corporation or its physicians with HMOs, PPOs or other payors will be maintained or that other similar contracts will be obtained in the future, or that payments from such payors will be sufficient to cover all of the costs of the Corporation or its physicians in providing hospital services to their beneficiaries. Failure to execute and maintain such contracts could have the effect of reducing the patient base or gross revenues of the Corporation. Conversely, participation may maintain or increase the patient base, but may result in reduced payments.

The Corporation also may be affected by the financial instability of HMOs and other third-party payors with which the Corporation contracts and/or from which it receives reimbursement for furnished health care services. For example, if the regulators place a financially-troubled HMO into rehabilitation under State law, or if a third-party payor files for protection under the federal bankruptcy laws, it is unlikely that health care providers will be reimbursed in full for services furnished to enrollees of the HMO or third-party payor. Also, health care providers may be required by law or court order to continue furnishing health care services to the enrollees of an insolvent HMO or third-party payor, even though the providers may not be reimbursed in full for such services.

Increasingly, physician practice groups, independent practice associations and other physician management companies have become a part of the process of negotiating payment rates to hospitals by managed care plans. This involvement has taken many forms but typically increases the competition for limited payment resources from managed care plans. For example, it is increasingly common for managed care plans to enter into contracts with

physicians that may give physicians incentives in patient care decisions which may result in reduced admissions and procedures for the Corporation.

Any new payment methods implemented by the Medicare and Medicaid programs in response to the ACA provisions are likely to drive similar changes in the private payer market. Programs designed to encourage coordination of care, value-based purchasing and quality outcomes will likely evolve in the private payer market.

Effect of Health Care Reform on the Insurance Market. The ACA includes insurance market reforms that, among other things, require individual and group health insurance plans to offer coverage (including renewability) on a guaranteed basis. The ACA prohibits pre-existing conditions limitations, certain coverage limitations, lifetime and annual dollar limits for essential health benefits, and requires coverage of certain preventive health benefits. As part of the ACA, every individual is required to enroll in a health plan through an employer, a federal government health program such as Medicare, Medicaid or Tricare, or purchase insurance through a health insurance exchange established by the state or run by the federal government, or pay a tax penalty. Tax reform legislation enacted in December 2017, colloquially known as the Tax Cuts and Jobs Act, eliminated the individual mandate penalty. New York has opted to establish its own health insurance exchange.

The ACA establishes the criteria for new Qualified Health Plans ("QHPs") that may participate in the state run exchanges. A QHP must meet certain minimum essential coverage requirements. Minimum essential coverage requirements may be offered at one of four levels of coverage: bronze, silver, gold or platinum. Each QHP must agree to offer at least one plan at the silver and gold level. The ACA sets forth the minimum coverage offered under each plan level and limits the variations in premiums that may be charged for exchange coverage on the basis of age and tobacco use. A QHP must also be certified by each exchange through which the plan is offered, must be licensed in each state where it offers insurance, and the QHP must limit cost sharing with the insured.

Under the ACA, individuals with family income under 400% of the FPL are eligible for subsidized premiums, deductibles and co-pays for coverage purchased on the exchange. Initially, only individuals and small employers will be able to access coverage through the exchanges. Starting in 2017, large employers became able to use the exchanges to provide employer-based coverage to their employees. Since his inauguration, President Trump has stopped the funding of the cost-sharing subsidies for low income families and has directed HHS, CMS, DOL and the Department of Treasury to review and rescind ACA regulations that burden the private insurance market. In addition, new federal regulations on limited duration insurance coverage, which coverage will be remain subject to state insurance law requirements, may lead some insurers to offer less comprehensive, but more affordable, coverage without the primary ACA consumer protections such as essential health benefits requirements, premium age-ratio limits, prohibitions on pre-existing condition limitations, guaranteed issue and lifetime and annual coverage limits. At this time, it is not possible to project what impact the exchanges will have on competition in the insurance markets, the cost of coverage for employers, reimbursement rates for hospitals and physicians or the number of uninsured patients that the Corporation will still need to treat.

Legislative and Regulatory Actions Affecting Health Care Facilities

Federal and state governments have enacted health care fraud and abuse laws to regulate both the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to those beneficiaries. These laws penalize individuals and organizations for submitting claims for services (i) they did not provide, (ii) that were not medically necessary, (iii) provided by an improper person, (iv) that involved an illegal inducement to utilize or refrain from utilizing a service or product, or (v) billed in a manner that does not comply with applicable government requirements. The scope of certain federal and state fraud and abuse laws has been expanded to include non-governmental, private health care plans.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud and abuse, including imposing civil money penalties, suspending payments and excluding the provider from participating in the federal and state health care programs. One or more government entities and/or private individuals can prosecute fraud and abuse cases, and courts and/or regulators can impose more than one of the available penalties for each violation.

Laws governing fraud and abuse apply to virtually all individuals and entities with which a hospital does business, including other hospitals, home health agencies, long term care entities, infusion providers, pharmaceutical providers, insurers, MCOs, PPOs, third party administrators, physicians, physician groups and physician practice management companies. Fraud and abuse prosecutions can have a catastrophic effect on any of these entities, which can result in a material adverse impact on the financial condition of other entities in the same health care delivery system.

Federal Fraud and Abuse Law. Federal law (known as the Anti-Kickback Law) prohibits the knowing and willful offer, solicitation, payment or receipt of remuneration in exchange for or as an inducement to make or influence a referral of a patient for goods or services, or the purchase, lease, order or arrangement for the provision of goods or services, that may be reimbursed under Medicare, Medicaid or other health benefit programs funded by the federal government. The scope of the Anti-Kickback Law is very broad, and it potentially implicates many practices and arrangements common in the health care industry, including space and equipment leases, personal services contracts, purchase of physician practices, joint ventures, and relationships with vendors. Penalties for violation of the Anti-Kickback Law include criminal prosecution, civil penalties of up to $100,000 and damages of up to three times the amount of the illegal remuneration, as well as exclusion from the federal health care programs.

Federal safe harbor regulations describe certain arrangements that will be exempt from prosecution or other enforcement action under one of the federal laws prohibiting referrals in exchange for remuneration. In the fall of 2006, CMS added two new safe harbors to the existing anti-kickback regulations. One safe harbor protects certain arrangements involving the distribution of electronic prescribing technology to physicians and the other protects the provision of information technology necessary to create electronic health records. The new rule with respect to prescribing technology classifies technology necessary and used solely to receive and transmit any prescription information as protected non-monetary remuneration. The final safe harbor involving electronic health records software protects arrangements that provide physicians with information technology and training services necessary and used predominantly to create, maintain, transmit, or receive electronic health records.

The ACA amended the intent requirement to provide that a person need not have actual knowledge of the Anti-Kickback law or specific intent to commit a kickback violation, to violate the statute. Penalties for the failure to grant timely access to HHS were also added by the ACA.

In October 2019, the OIG released a proposed rule proposing a number of new safe harbors and modifying existing safe harbors. This new rule, if enacted, may increase the Corporation's costs for remaining compliant with the Anti-Kickback Law, as the Corporation may have to make adjustments to remain compliant with the revised Anti-Kickback Law implementing regulations.

As the exceptions are narrowly drawn, there can be no assurances that the Corporation will not be found to be in violation of the Anti-Kickback Law. If such a violation were found, any sanctions imposed could have a material adverse effect upon the future operations and financial condition of the Corporation.

State Anti-Fraud and Abuse Law. In addition to the federal laws prohibiting kickbacks and other types of exchanges of remuneration for referrals of patients, New York law also prohibits such conduct and provides criminal and civil penalties for licensed facilities and individuals who make or receive payments for referrals of patients for health care services. Entities and individuals found to have violated this provision are subject to loss of licensure, fines and/or imprisonment

Federal and State Self Referrals Prohibitions. Current federal law (the "Stark Law") prohibits a physician who has a financial relationship with an entity that provides certain health services from referring Medicare and Medicaid patients to that entity for the provision of such health services, with limited exceptions. These restrictions currently apply to referrals for a number of health services and goods, including clinical laboratory services, physical therapy services, occupational therapy services, radiology or other diagnostic services, durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, and inpatient and outpatient hospital services. The Stark Law also prohibits an entity that receives a prohibited referral from filing a claim or billing for the services arising out of that prohibited referral.

The Stark Law strictly prohibits specific referral arrangements and the accompanying claims for payment from Medicare or Medicaid by the provider unless an exception applies. Sanctions for violations of the Stark Law include refunds of the amounts collected for services rendered pursuant to a prohibited referral, civil money penalties, plus up to three times the reimbursement claimed, and exclusion from the Medicare and Medicaid programs. The Stark Law also provides for a civil penalty for entering into an arrangement with the intent of circumventing its provisions. In addition, knowing violation of the Stark Law may also serve as the basis for liability under the False Claims Act. The types of financial arrangements between a physician and an entity that trigger the self-referral prohibitions of the Stark Law are broad, and include ownership and investment interests and compensation arrangements.

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

In October 2019, CMS released a proposed rule regarding a number of new exceptions related to value-based arrangements, certain limited remuneration payments to physicians and electronic health record items and services donations. The proposed rule also provides guidance regarding the application of the Stark Law and its exceptions, by making changes to existing exceptions and the definitions contained in the Stark Law's implementing regulations. This new rule, if enacted, may increase costs for the Corporation to remain compliant with the Stark Law because the Corporation may have to make adjustments as a result of the revised regulations.

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 FCA. Enforcement actions for any such violations could have a material adverse impact on the financial condition of a health care provider, including the Corporation.

The statutes and interpretive regulations contain numerous ambiguities and are subject to varying interpretations. Under these circumstances, it is not possible to ascertain with certainty the effects that the Stark Law or the State self-referral statute may have on the Corporation's operations or financial results.

Federal and State False Claims Acts. There are multiple federal laws concerning the submission of inaccurate or fraudulent claims for reimbursement and errors or misrepresentations on cost reports by hospitals and other providers. The coding, billing and reporting obligations of Medicare providers are extensive, complex and highly technical. In some cases, errors and omissions by billing and reporting personnel may result in liability under the federal False Claims Act or similar laws, exposing a health care provider to civil and criminal monetary penalties, as well as exclusion from participation in the Medicare and Medicaid programs.

The federal False Claims Act (the "FCA") makes it illegal to knowingly submit or present a false, fictitious or fraudulent claim to the federal government (e.g., the Medicare or Medicaid programs) for payment or approval

for payment for which the federal government provides, or reimburses at least some portion of the requested money or property. Because the term "knowingly" is defined broadly under the law to include not only actual knowledge but also deliberate ignorance or reckless disregard of the facts, the FCA can be used to punish a wide range of conduct. The ACA amended the FCA by expanding the number of activities that are subject to civil monetary penalties to include, among other things, failure to report and return known overpayments within statutory limits. FCA investigations and cases have become common in the health care field and may cover a range of activity from submission of intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. The FCA provides for potentially severe penalties. In June 2016, the DOJ issued a rule that more than doubled civil monetary penalties under the FCA. These increases took effect on August 1, 2016 and apply to FCA violations after November 2, 2015. The penalty amounts are adjusted no later than January 15 of each year to reflect changes in the inflation rate. As of the date of this Offering Memorandum, any person who acts in violation of the FCA is liable for a civil penalty ranging from $11,665 to $23,331 per claim, plus three times the amount of damages sustained by the government. As a result, violation or alleged violation of the FCA frequently results in settlements that require multi-million dollar payments and costly corporate integrity agreements.

The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "qui tam" actions. Qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the federal government or recover independently if the government does not participate. The FCA has become one of the federal government's primary weapons against health care fraud and suspected fraud. FCA violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse effect on a hospital and other health care providers. Some regulators and whistleblowers have asserted that claims submitted to governmental payors that do not comply fully with regulations or guidelines come within the scope of the FCA.

On June 16, 2016, the United States Supreme Court decided *Universal Health Services v. United States ex rel. Escobar*. This case analyzed whether a violation of the FCA occurs when a defendant submitting a claim that includes specific representations about the goods or service provided, fails to disclose non-compliance with material statutory, regulatory or contractual requirements that makes those representations misleading with respect to those goods or services (the implied false certification theory). The Supreme Court ruled that the implied false certification theory can be a basis for liability under the FCA and liability under the FCA, for failing to disclose violations of legal requirements does not turn upon whether those requirements were expressly designated as conditions of payments. There is considerable uncertainty as to the application of the Escobar holding, but depending on how it is interpreted by the lower courts, it could result in an expanded scope of potential FCA liability for noncompliance with applicable laws, regulations and sub-regulatory guidance.

The State also has a false claims act (the "State False Claims Act"). The State False Claims Act is very similar to the federal False Claims Act. Generally, it is aimed at protecting the State and local governments from being defrauded (including, but not limited to, as to Medicaid funds). Among other things, the State False Claims Act imposes penalties and damages on individuals and entities that: (i) knowingly present, or cause to be presented, false or fraudulent claims for payment or approval; (ii) knowingly make, use, or cause to be made or used, a false record or statement material to a false or fraudulent claim, (iii) conspire to commit the above (or other specified) violations; or (iv) knowingly conceal or knowingly and improperly avoid or decrease and obligation to pay or transmit money or property to the state or a local government, or conspire to do the same. Similar to the federal False Claims Act, violations of the State False Claims Act are subject to three times the amount of all damages that the state or local government sustains, plus per claim penalties that are equal in amount to the penalties under the federal False Claims Act, as adjusted for inflation.

Similar to the federal False Claims Act, the State False Claims Act permits individuals to initiate civil actions on behalf of the government in lawsuits known as "*qui tam*" actions. *Qui tam* plaintiffs, also known as "relators" or "whistleblowers," may share in the damages recovered by the government or that are recovered independently, if the government does not participate, or "intervene," in the case.

Among other things, health care providers may be liable under the federal False Claims Act and the State False Claims Act if they engage in any of the conduct described above. This includes, for example, instances where a provider fails to report and return an overpayment within the time period allowed under applicable law for doing so. Federal False Claims Act and State False Claims Act violations also have been alleged based on the existence of

purportedly impermissible kickback or self-referral arrangements or 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.

Federal False Claims Act and/or State False Claims Act violations, investigations, actions or proceedings may lead to settlements (including the possible imposition of a corporate integrity agreement), assessments of significant damages, fines and penalties, exclusion from participation in Federal health care programs and/or reputational damage that, individually or collectively, may have a material adverse impact on the provider and, potentially, its affiliates.

Federal Civil Money Penalties Law. The federal Civil Monetary Penalties Law (the "CMP Law") provides for administrative sanctions against health care providers for a broad range of billing and other abuses. For example, penalties may be imposed for the knowing presentation of claims that are (i) incorrectly coded for payment, (ii) for services that are known to be medically unnecessary, (iii) for services furnished by an excluded party, or (iv) otherwise false. An entity that offers remuneration to an individual that the entity knows is likely to induce the individual to receive care from a particular provider may also be fined. Under the ACA, Congress amended the CMP Law to authorize civil monetary penalties for a number of additional activities, including (i) knowingly making or using a false record or statement material to a false or fraudulent claim for payment, (ii) failing to grant the OIG timely access for audits, investigations, or evaluations, and (iii) failing to report and return a known overpayment within statutory time limits. The CMP Law authorizes imposition of civil monetary penalties ranging from $20,000 to $100,000 for each item or service improperly claimed and each instance of prohibited conduct, plus three times the amount of damages sustained by the government. Health care providers may be found liable under the CMP Law even when they did not have actual knowledge of the impropriety of the claim. It is sufficient that the provider "should have known" that the claim was false, and ignorance of the Medicare regulations is not a defense.

The Health Insurance Portability Act and Accountability Act of 1996. Congress enacted The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") in August 1996 as part of a broad health care reform effort. Among other things, HIPAA established a program administered jointly by the Secretary of HHS and the United States Attorney General designed to coordinate federal, state and local law enforcement programs to control fraud and abuse in connection with the federal health care programs. In addition, HIPAA also increased funding for health care fraud enforcement activity, enabling the OIG to substantially expand its investigative staff and the Federal Bureau of Investigation to increase the number of agents assigned to health care fraud. The result has been a dramatic increase in the number of civil, criminal and administrative prosecutions for alleged violations of the laws relating to payment under the federal health care programs, including the Anti-Kickback Law and the False Claims Act. This expanded enforcement activity, together with the whistleblower provisions of the False Claims Act, have significantly increased the likelihood that all health care providers, including the Corporation, could face inquiries or investigations concerning compliance with the many laws governing claims for payment and cost reporting under the federal health care programs.

HIPAA's Privacy and Security Requirements. In addition to the expanded enforcement activity noted above, the "Administrative Simplification" provisions of HIPAA mandate the use of uniform standard electronic formats for certain administrative and financial health care transactions, the adoption of minimum security standards for individually identifiable health information maintained or transmitted electronically, and compliance with privacy standards adopted to protect the confidentiality of personal health information. The Administrative Simplification provisions apply to health care providers, health plans, and health care clearinghouses, and their agents and subcontractors referred to as Business Associates (collectively, the "Covered Entities"). HHS issued final regulations strengthening many aspects of the privacy and security rules under HIPAA so that they are more aligned with the Health Information Technology for Economic and Clinical Health Act ("HITECH Act"). The final rules change certain requirements for covered entities and establish rules that now apply directly to their vendors that handle protected health information (PHI) and qualify as business associates under HIPAA. A Covered Entity and its business associates must make reasonable efforts to use, disclose and request only the minimal amount of protected health information needed to accompany the intended use. HIPAA confidentiality provisions extend not only to patient medical records, but also to a wide variety of healthcare clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These confidentiality provisions add costs and create potentially unanticipated sources of legal liability.

Various requirements of HIPAA apply to virtually all health care organizations, and significant civil and criminal penalties may result from a failure to comply with the Administrative Simplification regulations. Compliance requires changes in information technology platforms, major operational and procedural changes in the handling of data, and vigilance in the monitoring of ongoing compliance with the various regulations. The financial costs of compliance with the Administrative Simplification regulations are substantial.

Several federal statutes, including the Social Security Act, the Program Fraud Civil Remedies Act of 1986 and the False Claims Act, also provide for imposition of civil monetary penalties for knowingly making false or improper claims to federal health care programs. Penalties under these statutes can be severe, ranging up to $25,000 per claim plus up to three times the amount of damages sustained by the government.

Penalties for noncompliance with the above referenced statutes can be substantial and could include criminal or civil liability and/or exclusion from participation in Medicare, Medicaid and other health programs.

The HITECH Act. The American Recovery and Reinvestment Act of 2009 ("ARRA") appropriated approximately $20 billion for the development and implementation of health information technology standards and the adoption of electronic health care records. The law also significantly expanded the HIPAA privacy and security provisions applicable to Covered Entities and their business associates. The law provides that individuals be notified when there is a breach of their unsecured electronic personal health information, increases civil monetary and criminal penalties for HIPAA violations, and authorizes the state attorneys general to enforce its provisions. Each Covered Entity must report any breach involving over 500 individuals in a state to HHS and the local media. All other breaches must be reported annual to HHS. The financial costs of continuing compliance with HIPAA and the Administrative Simplification regulations are substantial and will increase as a result of the ARRA amendments.

ARRA also includes HITECH Act, which contains a number of provisions that affect HIPAA's privacy regulations that provide generally that Covered Entities must keep a person's personal health information private. The HITECH Act limits a Covered Entity's discretion in determining what health care information about a person may be properly disclosed under the HIPAA privacy regulations.

Covered Entities that use an "electronic health record" are required to account for disclosures of information that are currently not subject to the accounting requirements, including disclosures for treatment, payment and health care operations. In addition, if a Covered Entity maintains an electronic health record, individuals have a right to receive a copy of the protected health information maintained in the record in an electronic format. Again, the Secretary of HHS is charged with developing guidance and implementing regulations for these requirements.

The HITECH Act includes provisions requiring Covered Entities to agree to a patient request to restrict disclosure of information to a health plan, if the information pertains solely to an item or service for which the provider was paid out of pocket in full. The HITECH Act also includes a prohibition on the payment or receipt of remuneration in exchange for protected health information without specific patient authorization, except in limited circumstances, and places additional restrictions on the use and disclosures of protected health information for marketing communications and fundraising communications.

In the event of an unauthorized disclosure of protected health information, Covered Entities now are required to notify the affected individuals, HHS and sometimes the media of the unauthorized disclosure, depending on the nature of the breach, the type of unauthorized disclosure and its scope.

The HITECH Act revises the civil monetary penalties associated with violations of HIPAA, and provides state attorneys general with authority to enforce the HIPAA privacy and security regulations in some cases, through a damages assessment of $100 per violation or an injunction against the violator. The revised civil monetary penalties range: (a) in the case of violations due to willful neglect, from a minimum of $10,000 or $50,000 per violation depending on whether the violation was corrected within 30 days of the date the violator knew or should have known of the violation, and (b) in the case of all other violations, from a minimum of $100 to $1,000 per violation.

Emergency Medical Treatment and Active Labor Act. The Emergency Medical Treatment and Active Labor Act ("EMTALA") imposes strict requirements on hospitals in the treatment and transfer of patients with emergency medical conditions.

EMTALA imposes significant costs on hospitals, including the costs of treatment of individuals who may not be able to pay for such services, costs of development and implementation of protocols concerning medical screening examinations and stabilization and appropriate transfers and, in some cases, costs associated with assuring on-call availability of specialty physicians. In addition, the expansion of the requirements of EMTALA to off-campus departments may result in significant costs in the training of personnel and the development of protocols for screening, stabilization and transportation of patients.

If a hospital violates EMTALA, whether knowingly and willfully or negligently, it is subject to a civil money penalty of up to $50,000 per violation. Failure to satisfy the requirements of EMTALA may also result in termination of the hospital's provider agreement with Medicare. In addition, EMTALA creates a private cause of action for individuals who suffer personal harm as a result of an EMTALA violation, and for any hospital that suffers financial loss as a result of another hospital's violation of EMTALA. Enforcement activity with respect to EMTALA violations has increased dramatically in recent years, and because of the broad interpretation of the reach of EMTALA, there can be no assurance that the Corporation will not have been found to have violated EMTALA, and if such a violation were found, that any sanctions imposed would not have a material adverse effect upon the future operations and financial condition of the Corporation.

Quality Reporting and Compliance Requirements. The Deficit Reduction Act of 2005 ("DRA") imposed significant new quality reporting initiatives for hospitals. The Corporation is required to submit quality performance measures; the penalty for hospitals not reporting quality measures is a two percentage point reduction in the market basket update for that fiscal year.

The DRA established requirements for states participating in the Medicaid program to impose obligations on health care providers and others that receive at least $5 million annually in Medicaid payments to establish written policies and procedures to educate their employees (and certain contractors and agents) and to provide detailed information about the federal False Claims Act, the federal Program Fraud Civil Remedies Act, various other federal and state laws pertaining to civil or criminal penalties for false claims and statements, any whistleblower protections provided under such laws, the role of such laws in preventing and detecting fraud, waste and abuse, and the provider (or other party's) policies and procedures that are in place for the prevention and detection of fraud, waste and abuse. Additionally, covered health care providers and other applicable parties are required to make specific revisions to their existing employee handbooks to incorporate the above items, and to specifically disseminate pertinent information regarding these items to all employees and certain categories of contractors and agents making sure that covered contractors and agents agree to the adoption of certain policies and procedures. These DRA mandates went into effect on January 1, 2007. Because compliance with these DRA requirements is a condition of payment under Medicaid, providers and other covered parties that do not adequately update their compliance policies, handbooks and other training materials or otherwise abide by these requirements run the risk of losing their entitlement to receive Medicaid reimbursements to which they otherwise would be entitled and/or risk potential liability under the False Claims Act and other federal and state fraud and abuse authorities.

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 (the "OMIG") also has the authority to exclude individuals and entities from participation in the Medicaid program upon determining that the individual or

entity engaged in an "unacceptable practice." Unacceptable practices under the Medicaid program include a wide variety of conduct, including but not limited to, conduct relating to fraud and abuse (e.g., false claims, false statements, kickbacks, etc.), unacceptable recordkeeping, employing persons who are suspended, disqualified or otherwise terminated from participation in the Medicaid program, failure to meet professionally recognized standards of care, and other conduct.

Exclusion from governmental program participation could have a material, adverse effect on the Corporation.

Enforcement. Enforcement activity against health care providers has increased and enforcement authorities have adopted aggressive approaches. In the current regulatory climate, it is anticipated that many health care providers will be subject to investigation, audit or inquiry regarding the health care fraud laws mentioned above. As with other health care providers, the Corporation may be the subject of Office of the Inspector General, U.S. Attorney General and/or Justice Department investigations, audits or inquiries in the future. Because of the complexity of these laws, the instances in which an alleged violation may arise to trigger such investigations, audits or inquiries is increasing and could result in enforcement action against the Corporation.

Enforcement authorities are in a position to compel settlements by providers charged with kickback, referral, billing practice or false claims violations by imposing or threatening to withhold Medicare, Medicaid and/or similar payments and/or exclusion and/or criminal action. In addition, the cost of defending such investigations or litigation, the time and management attention consumed thereby and the facts of a particular case may dictate settlement. Therefore, regardless of the merits of a particular case or cases, the Corporation could experience materially adverse settlement and/or litigation costs. Prolonged and publicized investigations could be damaging to the reputation, business and credit of the Corporation, regardless of the outcome, and could have material adverse consequences on the financial condition of the Corporation. In addition, the IRS has stated that violations by a tax exempt entity of certain of the fraud and abuse laws may also result in revocation of the entity's tax-exempt status. Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described above, and therefore penalties or settlement amounts often are compounded. Generally these risks are not covered by insurance.

Voluntary Corporate Compliance. The Corporation has adopted and implemented a voluntary corporate compliance program ("Compliance Plan") designed in light of the applicable compliance guidances offered by the Office of the Inspector General. The purpose of a Compliance Plan is to detect and deter violations of law. One of the major goals of such a plan is to identify and address issues involving the submission of claims to governmental payers such as Medicare and Medicaid and whether those claims comply with statutes, regulations and other guidance provided by the programs. Integral components of the Compliance Plan include a code of conduct, adoption of written standards, education, policies and procedures, auditing and monitoring, remediation of identified issues, and encouraging employees to identify potential issues.

It is possible that the Compliance Plan may bring to the attention of the Corporation issues with respect to prior practices and payments. Depending upon the nature of the issue and whether an overpayment has occurred, such a discovery may result in either voluntary or involuntary refunds to governmental payers. Enforcement authorities take into account the existence and efficacy of a provider's voluntary compliance efforts in assessing the application and severity of penalties for a violation of federal or state rules governing reimbursement to or business relationships among providers of medical services; however, the decision of whether and how much weight to attach to voluntary compliance efforts is solely within the enforcement authorities' discretion.

Other Federal, State and Local Legislation

General. The Corporation is subject to a wide variety of federal, state and local regulatory actions and legislative and policy changes that could have a significant impact on the Corporation. Federal, state and local legislative bodies have broad discretion in altering or eliminating programs that contribute significantly to the revenues of the Corporation, including the Medicare and Medicaid programs. In addition, such entities may enact legislation that imposes significant new burdens on the operations of the Corporation. There can be no assurance that such legislative bodies will not make legislative policy changes (or direct governmental agencies to promulgate

regulatory changes) that have adverse effects upon the ability of the Corporation to generate revenues or upon the favorable utilization of their facilities.

Certificate of Need. The State employs a certificate of need program, whereby health care facilities are required to obtain approval from the State before undertaking certain projects, including constructing or developing a new health care facility, selling, purchasing or leasing part or all of any existing hospital, changing bed capacity in a manner which increases the total number of licensed beds or redistributes beds, and/or offering a new tertiary health service.

New York State Executive Order. On January 18, 2012, Governor Cuomo signed an Executive Order limiting spending for administrative costs and executive compensation at State-funded service providers. The Executive Order limits reimbursement with State funds for executive compensation to $199,000 annually per executive and requires that 85% of State-authorized payments be utilized for direct care or services, rather than administrative costs. The Executive Order and final regulations became effective July 1, 2013. The order has been subject to multiple legal challenges; most recently, the New York Court of Appeals held in 2018 that, while certain caps on executive compensation from any funding source was promulgated in excess of DOH authority, DOH's caps on the use of state funds for executive compensation and for administrative expenses were permissible.

Environmental Laws Affecting Health Care Facilities. Hospitals are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations that address, among other things, hospital operations or facilities and properties owned or operated by hospitals. In their role as owners and/or operators of properties or facilities, hospitals may be subject to liability for investigating and remedying any hazardous substances that have come to be located on the property, including any such substances that may have migrated off the property. Typical hospital operations include the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants, or contaminants. For these reasons, hospital operations are particularly susceptible to the practical, financial, and legal risks associated with compliance with such 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; or may trigger investigations, administrative proceedings, penalties or other governmental agency actions. There can be no assurance that the Corporation will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Corporation.

Transparency in Pricing. The ACA requires hospitals to establish and make public a list of the hospital's standard charges for items and services, including MS-DRGs. A 2006 executive order was issued requiring the same public reporting of cost and quality data at four federal agencies. CMS also has made "outcomes" reporting a condition of Medicare participation. These requirements are examples of a trend in which hospitals will be required to divulge proprietary information to the general public in order to participate in federal health care programs. The 2015 inpatient PPS rule requires hospitals to make public a list of their standard changes in response to an inquiry. The disclosure of proprietary information may have a negative impact on the Corporation's ability to gain advantages in negotiations with payors. This, in turn, could negatively influence the Corporation's revenues. The ACA includes various public disclosure obligations for financial arrangements between hospitals, physicians, imaging centers, and pharmaceutical and medical device manufacturers. Due to the relative novelty of these disclosure requirements, it is impossible to predict the effect, if any, that cost and outcomes reporting will have on the Corporation's finances.

Antitrust. Enforcement of antitrust laws against health care providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third party contracting, physician relations, joint venture, merger, virtual merger, formation of provider networks, diversification of hospitals into nontraditional hospital services and affiliation and acquisition activities. At various times, health care providers may be subject to an investigation by a federal or State governmental agency charged with the enforcement of antitrust laws, or may be subject to administrative or judicial action by a federal or State agency or a private party. The Department of Justice may bring criminal and civil actions to enforce the antitrust laws. Private litigants may bring actions for treble damages.

Charity Care. Tax exempt hospitals often treat large numbers of low-income, uninsured and under-insured patients who are unable to pay in full for their medical care. Hospitals are susceptible to economic and political changes that could increase the number of low-income, uninsured and under-insured patients. General economic conditions that affect the number of employed individuals who have health coverage affects the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and federal health care programs (including Medicare and Medicaid) may increase the frequency and severity of uncompensated care by such hospitals and other providers. It also is possible that future legislation could require that tax exempt hospitals and other providers maintain minimum levels of uncompensated care as a condition to federal income tax exemption or exemption from certain state or local taxes.

Federal law and regulations reduced the amount of funding available in the future for disproportionate share hospital (DSH) payments under the Medicare and Medicaid programs under the theory that the Affordable Care Act will result in more insured patients, and therefore, there will be less of a need to make funds available to hospitals that provide care to the uninsured. However, Management cannot predict whether the anticipated increased revenue to the Corporation resulting from more insured patients will offset the loss of DSH payments.

Employment and Labor Issues. As with all large employers, the Corporation bears a wide variety of risks in connection with their employees. These risks include strikes and other related work actions, contract disputes, difficulties in recruitment, discrimination claims, personal tort actions, work related injuries, exposure to hazardous materials, interpersonal torts, risks related to its benefit plans, and other risks that may flow from the relationships between employer and employee or between physicians, patients and employees. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance. The Corporation believes that its retirement plans are in material compliance with the Employee Retirement Income Security Act of 1974, as amended, the Code and other applicable laws.

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

Physician, Nursing and Staff Shortages. In recent years, the health care industry has suffered from a scarcity of physician specialists and sub specialists, nursing personnel, respiratory therapists, pharmacists and other trained health care technicians. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital specific shortages. To the extent that the Corporation is unable to maintain adequate staff levels, utilization and, thus, financial performance may be adversely affected.

Competition. Competition from other hospitals may adversely affect revenues. Development of health maintenance and other alternative delivery programs and future medical and scientific advances could result in decreased usage of the Corporation's facilities.

Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages.

Litigation also arises from the corporate and business activities of hospitals, from a hospital's status as an employer or as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims or business disputes are not covered by insurance or other sources and may, in whole or in part, be a liability of the Corporation if determined or settled adversely.

Many hospitals and health care providers are having difficulty renewing or obtaining all types of commercial insurance, including insurance against malpractice and general liability claims, at reasonable cost. The insurers are mandating lower amounts of coverage, requiring greater deductibles, and charging more in premium.

Cost Increases. 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, and third-party payors. Rising health care costs resulted from, among other factors, health care costs exceeding inflation, increased minimum wage, staff shortages, increased pharmaceutical and medical device costs, and the highly technical nature of the industry. The Corporation has been affected by the impact of such rising costs, and there can be no assurance that the Corporation would not be similarly affected by the impact of additional unreimbursed costs in the future.

Tax Reform

On December 22, 2017, President Trump signed into law an act entitled, "H.R. 1: An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018," known as the Tax Cuts and Jobs Act (the "Tax Cuts and Jobs Act"). The Tax Cuts and Jobs Act lowered corporate and individual tax rates and eliminated certain tax preferences and other tax expenditures. As discussed above, the Tax Cuts and Jobs Act also effectively repealed (effective 2019) a key provision of the ACA known as the "individual mandate" or the "individual shared responsibility payment," which imposes a tax on individuals who do not obtain health care insurance. Such repeal of the individual mandate may result in a higher uninsured rate, which could have a materially adverse effect on the Corporation. In addition, the Tax Cuts and Jobs Act precludes the issuance of tax-exempt bonds to advance refund outstanding tax-exempt bonds. The Tax Cuts and Jobs Act could materially adversely affect the market price or marketability of the Series 2020 Bonds (and outstanding bonds of the Corporation) and/or availability of borrowed funds for the Corporation, particularly for capital expenditures, as well as the operations, financial position and cash flows of the Corporation.

Maintenance of Tax-Exempt Status

The Corporation has been determined to be a tax-exempt organization described in Section 501(c)(3) of the Code. Maintaining that status is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organizations and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that would cause their assets to inure to the benefit of private persons.

As a tax-exempt organization, the Corporation is limited in its 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 maintaining physicians. The Internal Revenue Service ("IRS") scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and affiliated entities and has issued detailed hospital audit guidelines suggesting that field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to limitations on, or revocation of, their tax-exempt status of assessment of additional tax. The Corporation conducts diverse operations involving private parties and have entered into arrangements, directly or through affiliates, that are of the kind that the IRS has indicated that it will examine in connection with audits of tax-exempt hospitals. Therefore, there can be no assurances that certain of their transactions would not be challenged by the IRS.

The IRS has issued limited guidance that addresses joint ventures and other common arrangements between exempt health care organizations and non-exempt individuals or entities. The Corporation believes that its arrangements with private persons and entities are generally consistent with guidance by the IRS, but there can be no assurance concerning the outcome of an audit or other investigation given the limited authority interpreting the range of activities under taken by the Corporation.

The IRS has taken the position that hospitals that are in violation of the Anti-Kickback Law may also be subject to revocation of their federal tax-exempt status. As a result, tax-exempt entities such as the Corporation that

have, and will continue to have, extensive transactions with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the IRS.

Although the Corporation has covenanted to maintain its status as a tax-exempt organization, loss of tax-exempt status would likely have a significant adverse effect on the Corporation and its operations. Any suspension, limitation or revocation of the tax-exempt status of the Corporation or assessment of significant tax liability could have a material adverse effect on the Corporation.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of exempt organizations. Since such actions and proposals have been made, they have been vigorously challenged and contested. There can be, however, no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the operations and revenues of the Corporation by requiring it to pay income or real estate taxes.

There have also been numerous Congressional hearings in the past several years held by the House Ways and Means Committee, the Senate Finance Committee and other committees investigating various activities and practices of tax-exempt and other health care organizations, including hospital pricing systems, hospital billing and collection practices, unaudited business income and prices charged to uninsured patients. It cannot be determined at this time whether any legislation will be enacted in response to congressional hearings and investigations and, if so, what form any such legislation would take and what its impact would be on the Corporation.

Other legislative changes or judicial actions with respect to matters relating to the tax-exempt status of not-for-profit corporations, including the provision of free care to the low-income, uninsured and under-insured patients and the exemption from property taxes of such corporations, could be enacted. There can be no assurance that the future changes in federal, state or local laws, rules, regulations and policies governing tax-exempt entities will not have adverse effects on the future operations of the Corporation.

Intermediate Sanctions

The Code Section 4958 ("Intermediate Sanctions") 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 has continued to function as a charity. The tax is imposed on the disqualified person receiving the excess benefit. An additional tax may be imposed on any officer, director, trustee or other person having similar powers or responsibilities who knowingly participated in the transaction willfully or without reasonable cause.

"Excess benefit transactions" include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that exceeds fair market value. "Disqualified persons" include "insiders" such as board members and officers, senior management, and members of the medical staff, who in each case are in a position to substantially influence the affairs of the organization; their family members; and entities which are more than 35% controlled by a disqualified person. The legislative history sets forth Congress' intent that compensation of disqualified persons shall be presumed to be reasonable if it is: (1) approved by disinterested members of the organization's board or compensation committee; (2) based upon data regarding comparable compensation arrangements paid by similarly situated organizations; and (3) adequately documented by the board or committee as to the basis for its determination. A presumption of reasonableness will also arise with respect to transfers of property between the exempt organization and disqualified persons if a similar procedure with approval by an independent board is followed.

Intermediate Sanction penalties can also be assessed in situations where the exempt organization, or an entity controlled by the organization, provides an economic benefit to a disqualified person without maintaining contemporaneous written substantiation of the organization's intent to treat the benefit as compensation. If the written contemporaneous substantiation requirements are not satisfied and unless the organization can establish that it provided the economic benefit in exchange for consideration other than the performance of services (*i.e.*, a bona fide loan), the IRS shall deem such transactions as an "automatic" excess benefit transaction without regard to whether: (1) the economic benefit is reasonable; (2) any other compensation the disqualified person may have

received is reasonable; or (3) the aggregate of the economic benefit and any other compensation the disqualified person may have received is reasonable. There is no defense to the assessment of automatic excess benefit penalties.

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

Licensing, Surveys, Investigations and Audits

On a regular basis, health facilities, including those of the Corporation, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, State licensing agencies, private payors and The Joint Commission. Renewal and continuance 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 action or response by the Corporation. These activities generally are conducted in the normal course of business of health care facilities. Nevertheless, an adverse determination could result in a loss or reduction in the Corporation's scope of licensure, certification, or accreditation, or could reduce the payment received or require repayment of amounts previously remitted.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2020 Bonds. From time to time there may be no market for them depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the Corporation's capabilities and the financial conditions and results of operations of the Corporation.

Affiliation, Merger, Acquisition and Divestiture

The Corporation evaluates and pursues potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, the Corporation reviews the use, compatibility and business viability of many of its operations, and from time to time may pursue changes in the use of, or disposition of, facilities. Likewise, the Corporation occasionally receives offers from, or conducts discussions with, third parties about the potential acquisition of operations and properties which may become subsidiaries or affiliates Corporation in the future, or about the potential sale of some of the operations or property which are currently conducted or owned. As a result, it is possible that the current organization and assets of the Corporation may change from time to time. Subject to the limitations contained in the Master Indenture, the operating assets of the Obligated Group could change from time to time, and it is possible that new entities could be added to the Obligated Group in the future.

Enforceability of Remedies

The Series 2020 Bonds are payable from the sources and are secured as described in this Offering Memorandum. The practical realization of value from the collateral for the Series 2020 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 2020 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.

Enforceability of Lien on Gross Receipts

The Loan Agreement provides that the Corporation shall make payments to the Trustee sufficient to pay the Series 2020 Bonds and the interest thereon as the same become due. The obligation of the Obligated Group to make such payments is secured by the Series 2020 Obligation, which, in turn, is secured by, among other things, a security interest granted to the Master Trustee in the Gross Receipts of the Obligated Group. The lien on Gross Receipts may become subordinate to certain Permitted Liens under the Master Indenture. Gross Receipts paid by the Corporation and any other future Members of the Obligated Group to other parties in the ordinary course might no longer be subject to the lien on the Master Indenture and might therefore be unavailable to the Master Trustee. In addition, the Master Trustee has certain authority under the Master Indenture to partially release the lien on Gross Receipts as to specific property.

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

In the event of bankruptcy of a Member of the Obligated Group, transfers of property by the bankrupt entity, including the payment of debt or the transfer of any collateral, including receivables and Gross Receipts on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court may be subject to avoidance or recoupment as preferential transfers. Under certain circumstances a court may have the power to direct the use of Gross Receipts to meet expenses of the Members of the Obligated Group before paying debt service on the Series 2020 Bonds.

Pursuant to the New York Uniform Commercial Code, a security interest in the proceeds of Gross Receipts may not continue to be perfected if such proceeds are not paid over to the Master Trustee by a Member of the Obligated Group under certain circumstances. If any required payment is not made when due, the Members of the Obligated Group must transfer or pay over immediately to the Master Trustee any Gross Receipts with respect to which the security interest remains perfected pursuant to law. Any Gross Receipts thereafter received shall upon receipt by a Member of the Obligated Group be transferred to the Master Trustee without such Gross Receipts being commingled with other funds, in the form received (with necessary endorsements) 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 2020 Bonds as to the security interest in the Gross Receipts or by the issuance of debt secured on a basis senior to the Series 2020 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, relating to indebtedness issued for the benefit of another member, may be declared void in an action brought by a third-party creditor pursuant to the New York fraudulent conveyance statutes or may be 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 is to be used to finance projects occupied or used by such member. While the members may benefit generally from the projects financed from the indebtedness for the other members, the actual cash value of this benefit may be less than the joint and several obligation. The rights under the New York fraudulent conveyance statutes may be asserted for a period of up to six years from the incurring of the obligations or granting of security under the 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 2020 Obligation) and may include nonpayment related defaults under documents such as the Loan Agreement, the Indenture or the Mortgage. The Master Indenture provides that upon an "Event of Default" thereunder, the Master Trustee may in its discretion, declare the principal of all (but not less than all) Obligations Outstanding thereunder to be due and payable immediately and may exercise other remedies thereunder. However, the Master Trustee is not required to declare amounts under the Master Indenture to be due and payable immediately except as provided in the Master Indenture, and if applicable, subject to the terms of the Intercreditor Agreement. Consequently, upon the occurrence of an "Event of Default" under the Indenture with respect to the Series 2020 Bonds and an acceleration of the maturity of the Series 2020 Bonds, the Master Trustee may not be required to accelerate all Obligations Outstanding under the Master Indenture.

Limitation on Value of Mortgaged Property

The Mortgaged Property of the Obligated Group is pledged as security for the Series 2020 Obligation. Such Mortgaged Property is not comprised of general-purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the Mortgaged Property, and, upon any default, the Master Trustee may not obtain an amount equal to the amount of the outstanding Series 2020 Obligation and other indebtedness secured by the Mortgaged Property from the sale or lease of such Mortgaged Property if it were necessary to proceed against the Mortgaged Property, whether pursuant to a judgment, if any, against the Obligated Group or otherwise.

The existence of any liens on the Mortgaged Property having priority over the Lien created by the Mortgage may reduce the amount realized by the Master Trustee in the event of a foreclosure of the Mortgage.

Furthermore, in order to operate the Mortgaged Property as a health care facility, a purchaser of the Mortgaged Property at a foreclosure sale would under present law have to obtain a certificate of need from the NYSDOH and a license for the health care components of the facilities located on the Mortgaged Property. Therefore, the ability to operate the Mortgaged Property as a health care facility might be affected accordingly.

In addition, under applicable federal and New York environmental statutes, in the event of any past or future releases of pollutants or contaminants on or near the Mortgaged Property, a lien superior to the Master Trustee's mortgage lien could attach to the Mortgaged Property to secure the costs of removing or otherwise treating such pollutants or contaminants. Such a lien would adversely affect the Master Trustee's ability to realize sufficient amounts to pay the outstanding Obligations in full. Furthermore, in determining whether to exercise any foreclosure rights with respect to the Mortgaged Property, the Master Trustee may have to take into account the potential liability of any owner of the Mortgaged Property, including an owner by foreclosure, for clean-up costs with respect to such pollutants and contaminants. No environmental assessment of the Mortgaged Property has been made prior to the issuance of the Series 2020 Bonds.

The Bond Insurer

In the event the Corporation fails to make regularly scheduled payments of the principal of and interest on any Bonds when the same become due, the Bond Trustee on behalf of the owners of such Series 2020 Bonds shall have recourse against the Bond Insurer under the Policy for such payments. There can be no assurance that the Bond Insurer will have sufficient revenues to enable it to make timely payments on such Series 2020 Bonds. Moreover, the Policy does not insure the principal of or interest on the Series 2020 Bonds coming due by reason of acceleration, optional redemption, extraordinary redemption or purchase in lieu of redemption, nor does it insure the payment of any redemption premium payable upon the optional redemption of the Series 2020 Bonds.

So long as the Series 2020 Bonds are Outstanding and the Bond Insurer is not in default under the Policy, the Bond Insurer shall be deemed the owner of the Series 2020 Bonds for purposes of all actions under the Indenture which require or permit the consent, direction or request of the owners of the Series 2020 Bonds. Under no circumstances can the Series 2020 Bonds be accelerated except with the consent of the Bond Insurer, unless the Bond Insurer has defaulted on its obligations under the Policy or renounced its obligations thereunder. Furthermore, so long as the Bond Insurer performs its obligations under such Policy, it may direct, and must consent to, any remedies that the Bond Trustee exercises under the Agreement with respect to the Series 2020 Bonds.

In the event that the Bond Insurer is unable to make payments of principal and interest on the Series 2020 Bonds as such payments become due, such Series 2020 Bonds will be payable solely from moneys received by the Bond Trustee pursuant to the Indenture and the Master Indenture. See "BOND INSURANCE" herein for further information concerning the Bond Insurer and the Policy.

The insured ratings on the Series 2020 Bonds are dependent on the ratings of the Bond Insurer. The Bond Insurer's current ratings are predicated upon, among other things, a level of reserves in excess of the levels required by the various state agencies regulating insurance companies and an assessment by the rating agencies of potential future claims against these reserves. The level of reserves maintained by the Bond Insurer and the assessment by rating agencies of potential future claims and the adequacy of reserves to meet these claims could change over time and this could result in a downgrading of the ratings on the Series 2020 Bonds. The Bond Insurer is not contractually bound to maintain its present level of reserves in the future or to increase them in order to maintain its present ratings.

Bankruptcy

The rights and remedies of the holders of the Series 2020 Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If a Member of the Obligated Group 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 that Member of the Obligated Group and its property, including the commencement of foreclosure proceedings under the Mortgage. Such Member of the Obligated Group 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 Indenture from being applied in accordance with the provisions of the Indenture, and the application of such amounts to the payment of principal and Sinking Fund Installments of, and interest on, the Series 2020 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 Indenture 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 such Member 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 the Obligated Group'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 such Member of the Obligated Group under the Obligations, the Master Indenture, the Mortgage, and the Loan Agreement, and may adversely affect the Master Trustee's or the Trustee's ability to take all steps necessary to file a claim under the applicable documents on a timely basis.

The Obligated Group 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 could discharge all claims against the Obligated Group 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 (except as set forth below) 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 Indenture and the Master Indenture, as amended and supplemented, permit the Corporation and any other future 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 2020 Bonds.

Information Systems and Technology

The ability to adequately price and bill health care services and to accurately report financial results depends on the integrity of the data stored within information systems, as well as the operability of such systems. Information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards. There can be no assurance that efforts to upgrade and expand information systems capabilities, protect and enhance these systems, and develop new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future.

The use of electronic media is standard for clinical operations, medical records and order entry functions. The reliance on information technology for these purposes imposes new expectations on physicians and other workforce members to be adept in using and managing electronic systems. It also introduces risks related to patient safety, and to the privacy, accessibility and preservation of health information. Technology malfunctions or failure to understand and use information systems properly could result in the dissemination of or reliance on inaccurate information, as well as in disputes with patients, physicians and other health care professionals. Health information systems may also be subject to different or higher standards or greater regulation than other information technology or the paper-based systems previously used by health care providers, which may increase the cost, complexity and risks of operations. All of these risks may have adverse consequences on hospitals and health care providers.

Future government regulation and adherence to technological advances could result in an increased need of the Obligated Group Members to implement new technology. Such implementation could be costly and is subject to cost overruns and delays in application, which could have a material adverse effect on the Obligated Group.

Technological advances in recent years have forced hospitals to acquire sophisticated and costly equipment to remain technologically current. Moreover, the growth of e-commerce may also result in a shift in the way that health care is delivered, (i.e., from remote locations). For example, physicians will be able to provide certain services over the internet and pharmaceuticals and other health services may be purchased online. If, due to financial constraints, the Obligated Group were unable to acquire new equipment required to remain technologically current, the operations and financial condition of the Obligated Group could be materially adversely affected.

Cyber-Security

Despite the implementation of network security measures by the Corporation, its information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. The Federal Bureau of Investigation has expressed concern that health care systems are a prime target for such cyber-attacks due to the mandatory transition from paper records to electronic health records and a higher financial payout for records in the black market. Health care systems have recently been subject to such attacks. Such events or issues could lead to the inadvertent disclosure of protected health information or other confidential information, ransom attacks holding critical information hostage, or could have an adverse effect on the ability of the Corporation to provide health care services. Any breach or cyber-attack that comprises patient data could result in negative press and substantial fines or penalties for violation of HIPAA (defined below) or similar state privacy laws.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Obligated Group, or the market value of the Series 2020 Bonds, to an extent that cannot be determined at this time:

- A national or localized outbreak of a highly contagious or epidemic disease, including but not limited to the ongoing coronavirus (COVID-19) pandemic. See "COVID RESPONSE" in Appendix A attached hereto.

- Hospitals are major employers, combining a complex mix of professional, quasi professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers in a single operation. As with all large employers, the Corporation bears a wide variety of risks in connection with their employees. These risks include strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials and other risks that may flow from the relationships between employer and employee or between physicians, patients and employees. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented.

- Competition from other hospitals and other facilities now or hereafter located in the respective service areas of the facilities operated by the Corporation may adversely affect revenues of the Corporation. Development of health maintenance and other alternative health delivery programs could result in decreased usage of inpatient hospital facilities and other facilities operated by the Corporation.

- Cost availability and sufficiency of any insurance such as medical professional liability, directors' and officers' liability, property, automobile liability, worker's compensation and commercial general liability coverage that health care facilities of a similar size and type generally carry.

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

- Cost and availability of energy.

- Potential depletion of the Medicare trust fund.

- The occurrence of terrorist activities or natural disasters may damage some or all of the facilities, interrupt utility service to some or all of the facilities or otherwise impair the operation of some or all of the facilities operated by the Corporation or the generation of revenues from some or all of such facilities.

- Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety and outpatient health care delivery may reduce utilization and revenues of the facilities. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the Corporation to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance such acquisitions or operations.

- Reduced demand for the services of the Corporation that might result from decreases in population in their respective service areas.

- Increased unemployment or other adverse economic conditions in the service areas of the Corporation which would increase the proportion of patients who are unable to pay fully for the cost of their care.

- Any increase in the quantity of charity care provided which is mandated by law or required due to increased needs of the community in order to maintain the charitable status of the Corporation.

- Regulatory actions which might limit the ability of the Corporation to undertake capital improvements to their respective facilities or to develop new institutional health services.

- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.

- Imposition of wage and price controls for the health care industry.

- Changes in the governmental requirements concerning how patients are treated. These regulations are embodied in patients' bills of rights and similar programs being promulgated with greater frequency, and changes in licensure requirements. All of these programs can increase the cost of doing business and consequently adversely affect the financial condition of the Corporation.

LITIGATION

The Issuer

The Issuer is unaware of any litigation restraining or enjoining the issuance or delivery of their Series 2020 Bonds, or questioning or affecting the validity of the Series 2020 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Issuer to their respective offices, is known to be contested or questioned. There is no known litigation pending against the Issuer which in any manner questions the right of the Issuer to enter into the Indenture, the Loan Agreement or to secure the Series 2020 Bonds in the manner provided in the Indenture.

The Corporation

No action, suit, proceeding or investigation is pending against the Corporation or, to the Corporation's knowledge, threatened which might, in the opinion of the management of the Corporation, materially adversely

affect the business or properties or financial condition of the Corporation, or in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Loan Agreement, the Master Indenture, the Mortgage, or any other documents executed by the Corporation in connection therewith, the performance by the Corporation of any of its obligations thereunder, or the consummation of any of the transactions contemplated thereby.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The financial statements of Westchester County Health Care Corporation as of December 31, 2019 and 2018 and for the years then ended appearing in APPENDIX B of this Offering Memorandum have been audited by Grant Thornton LLP, independent certified public accountants, as stated in their report appearing in APPENDIX B to this Offering Memorandum.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C. ("Causey"), a firm of independent public accountants, will deliver to the Issuer, on or before the date of issuance of the Series 2020 Bonds, its verification report indicating that it has verified certain information provided by the Issuer and the Underwriters with respect to the Refunded Bonds. Included in the scope of Causey's procedures will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations (as defined in the Indenture) to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

The verification performed by Causey will be solely based upon data, information and documents that the Issuer and the Underwriters caused to be provided to Causey. The report of its verification will state that Causey has no obligation to update the report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

FINANCIAL ADVISOR

In connection with the authorization, sale and issuance of the Series 2020 Bonds, the Corporation has retained Lamont Financial Services Corporation, Wayne, New Jersey, as its financial advisor (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness, of the information contained in this Offering Memorandum including the Appendices hereto. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2020 Bonds are subject to the approving opinion of Katten Muchin Rosenman LLP, New York, New York, as Bond Counsel to the Issuer, a form of which is attached as APPENDIX E. A signed copy of such opinion will be available at the time of original delivery of the Series 2020 Bonds. Certain legal matters will be passed upon for the Issuer by its special counsel, BurgherGray LLP; for the Corporation by its General Counsel, Julie Switzer, Esq.; and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York.

UNDERWRITING

The Series 2020 Bonds are being purchased by the underwriters set forth on the cover of this Offering Memorandum (the "Underwriters"). The Underwriters have agreed to purchase the Series 2020 Bonds at an aggregate underwriting discount of $2,001,000. The purchase contract for the Series 2020 Bonds provides that the Underwriters will purchase all of the Series 2020 Bonds. The Corporation has agreed to indemnify the Underwriters and the Issuer against losses, claims, damages and liabilities arising out of any incorrect statement or information contained in or information omitted from this Offering Memorandum to the extent set forth in the purchase contract.

The initial public offering prices set forth on the front cover page hereof may be changed from time to time by the Underwriters, and the Underwriters may offer to sell Series 2020 Bonds to certain dealers and others at prices lower than the offering prices stated on the front cover page hereof.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Corporation, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Corporation. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

TD Securities (USA) LLC, one of the Underwriters of the Series 2020 Bonds, has entered into a negotiated dealer agreement (the "TD Dealer Agreement") with TD Ameritrade for the retail distribution of certain securities offerings, including the Series 2020 Bonds at the original issue price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase Series 2020 Bonds from the Underwriters at the original issue prices less a negotiated portion of the selling concession applicable to any of the Series 2020 Bonds that TD Ameritrade sells.

TD Securities (USA) LLC, one of the Underwriters of the Series 2020 Bonds, and TD Bank, N.A., are both wholly-owned subsidiaries of The Toronto-Dominion Bank and part of TD Bank Group. TD Securities (USA) LLC is not a bank and is a distinct legal entity from TD Bank, N.A. TD Bank, N.A. may have other banking and financial relationships with the Corporation and the other members of the Obligated Group or any other party that may be involved in this transaction.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned the rating of "A2" to the Series 2020 Bonds reflecting the issuance of the Policy and the rating of "Baa2" to the Series 2020 Bonds without regard to the issuance of the Policy. S&P Global Ratings, a business of Standard & Poor's Financial Services, LLC ("S&P"), has assigned the rating of "AA" to the Series 2020 Bonds reflecting the issuance of the Policy.

Explanations of the significance of each rating may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York and from S&P at 55 Water Street, 38th Floor, New York, New York. Generally, ratings agencies base their ratings on information and material furnished by the Obligated Group and on investigations, studies and assumptions made by the rating agencies. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by one or more of the rating agencies, if in the judgment of any such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2020 Bonds. Neither the Issuer nor the Underwriters have agreed to take any action with respect to any proposed rating change or to bring such rating change, if any, to the attention of the owners of the Series 2020 Bonds.

TAX MATTERS

Certain Federal Income Tax Considerations

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2020 Bonds that acquired those Series 2020 Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2020 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2020 Bonds pursuant to this offering for the issue price that is applicable to such Series 2020 Bonds (i.e., the price at which a substantial amount of the Series 2020 Bonds is sold to the public) and who will hold their Series 2020 Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2020 Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series 2020 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2020 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2020 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Series 2020 Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of income from a debt instrument having original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2020 Bonds in light of their particular circumstances.

U.S. Holders

Interest

In the opinion of Bond Counsel, interest on the Series 2020 will be included in gross income for federal income tax purposes. Payments of interest on a Series 2020 Bond generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting), provided such interest is "qualified stated interest" within the meaning

of section 1272 of the Code. For purposes of this discussion, the term "qualified stated interest" on a Series 2020 Bond means all interest thereon based on a fixed rate, and payable unconditionally at fixed periodic intervals of one year or less during the entire term of the instrument.

Original Issue Discount

To the extent that the issue price of any bond of a maturity of the Series 2020 Bonds is less than the aggregate of the amounts (other than qualified stated interest) to be paid over the term of that bond by more than a de minimis amount, the difference may constitute original issue discount ("OID") on that bond. U.S. Holders of Series 2020 Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Amortizable Bond Premium

A holder of a Series 2020 Bond that purchased that bond for an amount that was greater than its stated redemption price at maturity will be considered to have purchased the Series 2020 Bond with "amortizable bond premium" equal in amount to such excess. For purposes of this discussion, the "stated redemption price at maturity" of a Series 2020 Bond, as of any date, is an amount equal to the aggregate of the amounts (other than qualified stated interest) to be paid on that bond over the remaining term. A U.S. Holder of a Series 2020 Bond purchased with amortizable bond premium may elect to amortize such premium using a constant yield method over the remaining term of the Series 2020 Bond (or to an earlier call date that minimizes the owner's yield on the Series 2020 Bond) and may offset interest otherwise required to be included in respect of the Series 2020 Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Series 2020 Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Series 2020 Bond. Any election by a U.S. Holder to amortize bond premium applies to all taxable debt instruments beneficially owned by that person on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS. Special rules for determining the amount of amortizable bond premium attributable to a debt instrument may be applicable if the debt instrument may be optionally redeemed. These rules are complex and prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Sale or other Taxable Disposition of a Series 2020 Bond

Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Corporation) or other taxable disposition of a Series 2020 Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2020 Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid qualified stated interest on the Series 2020 Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2020 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2020 Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2020 Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2020 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the Series 2020 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Medicare Tax

Certain non-corporate U.S. Holders of Series 2020 Bonds are subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of individuals) or "undistributed net investment income" (in the case of estates and certain trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain

trusts) for the taxable year over a certain threshold (which in the case of individuals is between $200,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's calculation of net investment income generally will include its interest income on the Series 2020 Bonds and its net gains from the disposition of the Series 2020 Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are an individual, estate, or trust, you are urged to consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the Series 2020 Bonds.

Effect of Defeasance

Pursuant to the Indenture, the Series 2020 Bonds are subject to legal defeasance without the consent of the holders of the Series 2020 Bonds. Defeasance of any of the Series 2020 Bonds may be treated as a taxable constructive exchange of that Series 2020 Bond for the defeased Series 2020 Bond. Assuming that the Series 2020 Bonds are treated as publicly traded debt instruments for U.S. federal income tax purposes (which is expected to be the case), a U.S. Holder of a Bond generally will recognize gain or loss equal to the difference between (i) the fair market value of such U.S. Holder's Series 2020 Bonds on the date of the defeasance (except to the extent of accrued but unpaid interest on the Series 2020 Bonds which will be taxed in the manner described above under "Interest") and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2020 Bonds(generally, the purchase price paid by the U.S. Holder for the Series 2020 Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2020 Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2020 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the Series 2020 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

Payments on the Series 2020 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2020 Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Series 2020 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2020 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

If, under the Code, interest on the Series 2020 Bonds is effectively connected with the conduct of a trade or business within the United States by a Non-U.S. Holder, such interest will be subject to U.S. federal income tax in a similar manner as if the Series 2020 Bonds were held by a U.S. Holder, as described above, and in the case of Non-U.S. Holders that are corporations, interest on the Series 2020 Bonds also may be included in the computation of earnings and profits that are subject to a U.S. branch profits tax at a rate of up to 30%, unless an applicable tax treaty provides otherwise. Such Non-U.S. Holder will not be subject to withholding taxes, however, if it provides a properly executed Form W-8ECI to the payor.

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (or any lower rate specified in an income tax treaty) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business.

The foregoing notwithstanding, but subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")-U.S. Holders and Non-U.S. Holders," and assuming the interest income of Non-U.S. Holder on the Series 2020 Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will not be subject to withholding under section 1441 or section 1442 of the Code to the extent that the interest income is treated as "portfolio interest". Interest paid to a Non-U.S. Holder generally will be treated as portfolio interest as to that holder if: (i) the Non-U.S. Holder provides a statement to the payor certifying, under penalties of perjury, that the Non-U.S. Holder is not a United States person and providing the name and address of such Non-U.S. Holder; (ii) such interest is treated as not effectively connected with a United States trade or business of the Non-U.S. Holder; (iii) such interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) the Non-U.S. Holder is not a controlled foreign corporation, within the meaning of section 957 of the Code which is related to the Corporation through stock ownership; and (v) the Non-U.S. Holder is not a bank receiving interest on the Series 2020 Bonds pursuant to a loan agreement entered into in the ordinary course of the Non-U.S. Holder's banking trade or business.

Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")-U.S. Holders and Non-U.S. Holders," any capital gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Corporation) or other taxable disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Corporation) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax

A Series 2020 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Series 2020 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding

Subject to the discussion below under the heading "Foreign Account Tax Compliance Act ("FATCA")-U.S. Holders and Non-U.S. Holders," under current U.S. Treasury Regulations, payments of principal and interest on any Series 2020 Bonds to a Non-U.S. Holder will not be subject to any backup withholding tax requirements if the Non-U.S. Holder of the Series 2020 Bond or a financial institution holding the Series 2020 Bond on behalf of the Non-U.S. Holder in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a Non-U.S. Holder provides the certification, the certification must give the name and address of such Non-U.S. Holder, state that such Non-U.S. Holder is not a United States person, or, in the case of an individual, that such Non-U.S. Holder is neither a citizen nor a resident of the United States, and the Non-U.S. Holder must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act

Under legislation commonly referred to as the "Foreign Account Tax Compliance Act" ("*FATCA*"), a withholding tax of 30% is generally applied to payments of (i) interest on a debt obligation of a U.S. issuer on or after July 1, 2014, and (ii) gross proceeds from the sale or other disposition of such a debt obligation on or after January 1, 2019, in each case made to (a) a foreign financial institution (as beneficial owner or as an intermediary), unless such institution enters into an agreement with the U.S. government (or is required by applicable local law) to collect and provide to the United States or other relevant tax authorities certain information regarding U.S. account holders of such institution or unless the institution is otherwise exempt from FATCA; or (b) a foreign entity that is not a financial institution (as a beneficial owner or as an intermediary), unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or identifying its substantial U.S. owners, which generally includes any specified U.S. person that directly or indirectly owns more than a specified percentage

of such entity, or unless such entity is otherwise exempt from FATCA. Investors are encouraged to consult with their own tax advisors regarding the implications of this legislation and the applicable regulations on their investment in a Series 2020 Bond.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2020 Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Series 2020 Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

Certain State and Local Income Tax Considerations

In the opinion of Bond Counsel, interest on the Series 2020 will be included in taxable income for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers).

CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), and the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax-qualified retirement plans under the Code, (collectively, the "*Plans*") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In addition, each fiduciary of a Plan (a "*Plan Fiduciary*") must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Series 2020 Bonds, including the roles that such an investment in the Series 2020 Bonds would play in the Plan's overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Series 2020 Bonds, must be satisfied that such investment in the Series 2020 Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Series 2020 Bonds, are diversified so as to minimize the risk of large losses and that an investment in the Series 2020 Bonds complies with the documents of the Plan and related trust, to the extent such documents are consistent with ERISA. All Plan Fiduciaries, in consultation with their advisers, should carefully consider the impact of ERISA and the Code on an investment in any Series 2020 Bond, including the applicability to such investment of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code or similar laws

CONTINUING DISCLOSURE

Because the Series 2020 Bonds are limited obligations of the Issuer, payable solely from amounts received from the Corporation, financial or operating data concerning the Issuer is not material to an evaluation of the offering of the Series 2020 Bonds or to any decision to purchase, hold or sell the Series 2020 Bonds. Accordingly, the Issuer is not providing any such information. The Corporation has undertaken all responsibilities for any continuing disclosure to Holders of the Series 2020 Bonds, as described below, and the Issuer shall have no liability to the Holders of the Series 2020 Bonds or any other Person with respect to Rule 15c2-12, referred to in this Offering Memorandum as the "Rule", promulgated under the Securities Exchange Act of 1934 by the Securities and Exchange Commission.

The Corporation has covenanted to provide (a) certain financial information and operating data relating to the Corporation by not later than 165 days after the end of the Corporation's fiscal year (which fiscal year currently ends on December 31), commencing with the report for the fiscal year ending December 31, 2019 (the "Annual Report") and (b) notices of the occurrence of certain enumerated events. The Corporation will file, or cause to be filed, the Annual Report with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system for municipal securities disclosures. Any notice of an event required to be disclosed as a significant event under Rule 15c2-12 is also required to be filed by the Obligated Group with the MSRB through its EMMA system. The specific nature of the information to be contained in the Annual Report and the notices of material events is described in APPENDIX F – Form of Continuing Disclosure Agreement.

The Corporation is party to undertakings with respect to outstanding bonds. Information required by such undertakings can be found on the appropriate pages on the EMMA system; however, certain material has not been provided as contemplated in the undertaking, or was inadvertently not filed as described below: (i) certain utilization items to be set forth in the annual filings including average beds available, percent occupancy and clinic visits, (ii) the debt service coverage ratio for 2018 and 2019 (such information is set forth in the Appendix A hereto under the caption "FINANCIAL HISTORY OF THE CORPORATION – Historic Debt Service Coverage Ratio") and (iii) the rating change associated with the downgrade of the credit provider for the 2010D bonds was not disclosed.

MISCELLANEOUS

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed. To the extent that any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the Issuer with the holders of Series 2020 Bonds is fully set forth in the Indenture, and neither any advertisement of the Series 2020 Bonds or this Offering Memorandum is to be construed as constituting an agreement with the purchasers of the Series 2020 Bonds.

The information contained herein should not be construed as representing all conditions affecting the Issuer, the Corporation or the Series 2020 Bonds. The foregoing statements relating to the Indenture, the Loan Agreement, the Mortgage, the Master Indenture, the Supplemental Indenture and other documents are summaries of certain provisions thereof, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such documents in their complete forms.

The attached Appendices A through F are integral parts of this Offering Memorandum and should be read in their entirety together with all of the foregoing statements.

It is anticipated that CUSIP identification numbers will be printed on the Series 2020 Bonds, but neither the failure to print such numbers on any Series 2020 Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of or pay for any Series 2020 Bonds.

The Issuer has furnished only the information included herein under the section entitled "THE ISSUER" and information concerning the Issuer under the headings "INTRODUCTORY STATEMENT" and "LITIGATION."

The Corporation has agreed, pursuant to the Supplemental Indenture, to furnish, no later than sixty (60) days subsequent to the last day of each of the first three quarters in each fiscal year and ninety (90) days subsequent to the last day of the fourth quarter in each fiscal year to the Master Trustee, the MSRB and each Bondholder who is the registered owner of in excess of an aggregate $1 million principal amount of Series 2020 Bonds who has so requested, the following information: (a) the unaudited financial statements of the Corporation, including the balance sheet as of the end of such quarter, the statement of operations, changes to net assets and cash flows; (b) utilization statistics of the Corporation for such quarter, including aggregate discharges, 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 Corporation by major payor mix for such quarter. In addition, the Corporation has agreed to furnish, or cause to be furnished, to each of the parties identified above the audited financial statements of the Corporation, within 165 days after the completion of the Corporation's fiscal year. The Corporation has agreed to provide the information set forth in this paragraph as a matter of convenience and such agreement shall not be construed as an undertaking pursuant to Securities and Exchange Commission Rule 15c2-12.

The Issuer and the Corporation have authorized the distribution of this Offering Memorandum.

WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION

By: */s/ Joan McDonald*
Name: Joan McDonald
Title: Chair

WESTCHESTER COUNTY HEALTH CARE CORPORATION

By: */s/ Gary Brudnicki*
Name: Gary Brudnicki
Title: Senior Executive Vice President and Chief Financial Officer/Chief Operating Officer

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APPENDIX A

INFORMATION CONCERNING WESTCHESTER COUNTY HEALTH CARE CORPORATION

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INTRODUCTION

The Corporation

The Westchester County Health Care Corporation (the "Corporation" or "WCHCC") is a New York public benefit corporation, established under the New York State Public Authorities Law, exempt from federal income tax, and operates a hospital established under Article 28 of the New York Public Health Law. The statute specifically provides that the Corporation's corporate existence shall continue until terminated by law; provided, however, that no such termination shall take effect so long as the Corporation shall have bonds or other obligations outstanding, unless adequate provision has been made for the payment or satisfaction thereof. The Corporation's powers, duties and functions are as set forth in the statute and other applicable laws. The Corporation also does business under the names "Westchester Medical Center" and "Westchester Medical Center Health Network".

The Corporation's primary purpose is the operation of the Westchester Medical Center ("WMC") as described in this Appendix A, which now includes operations at the Valhalla Campus (as defined herein), and the MidHudson Regional Hospital ("MidHudson") in Poughkeepsie, New York.

The Corporation is also the majority corporate member of Bon Secours Charity Health System ("BSCHS") with hospitals in Rockland and Orange Counties and the sole member and active parent of HealthAlliance of the Hudson Valley ("HealthAlliance") with hospitals in Ulster and Delaware Counties. The Corporation is the only Member of the Obligated Group. THE CORPORATION IS CURRENTLY THE SOLE MEMBER OF THE OBLIGATED GROUP AND, AS SUCH, IS SOLELY RESPONSIBLE FOR PAYMENT OF DEBT SERVICE ON ALL SERIES OF BONDS ISSUED PURSUANT TO, AND/OR SECURED BY, THE MASTER INDENTURE.

Westchester Medical Center History

WMC opened in 1918 as a United States Army Base Hospital. In 1920, the U.S. government transferred the facilities to Westchester County (the "County") and the County reopened and operated the facilities as Grasslands Hospital. As the County's only public hospital, WMC has grown significantly since its establishment. In the 1970's, the nature of the institution changed from a prototypical public hospital to a tertiary care hospital and academic medical center. During this period, a new 670-bed acute care hospital was constructed and New York Medical College ("NYMC") relocated its educational facilities from New York City to the grounds shared by WMC. Grasslands Hospital was renovated fully in 1977 and renamed the "Westchester County Medical Center". The County operated the Westchester County Medical Center through 1997, at which time it transferred responsibility for the WMC to the Corporation.

The Corporation commenced its operation of WMC on January 1, 1998. For many years, the County provided various forms of financial support to the Corporation. That relationship is more fully described herein. See "FINANCIAL HISTORY OF THE CORPORATION" herein.

WMCHealth Network

Between 2014 and 2016, the Corporation formally developed WMCHealth Network ("WMCHealth"), which today includes ten hospitals on eight campuses spanning 6,200 square miles of the Hudson Valley. With a primary service area of eight counties throughout the Hudson Valley, WMCHealth is the Hudson Valley region's most advanced medical care and referral hospital network, serving more than 3 million people.

At the start of 2014, WMCHealth hospitals and physician groups consisted of WMC (415 beds), Maria Fareri Children's Hospital ("Children's Hospital") (136 beds), the Behavioral Center (101 beds) and Westchester Advanced Physician Services ("WMC Advanced Physician Services") (over 300 physicians). During 2014, WMCHealth added MidHudson (243 beds) and Regional Physician Services (over 80 physicians). In 2015, WMCHealth acquired BSCHS, consisting of Good Samaritan Hospital (286 beds), Bon Secours Community Hospital (122 beds), St. Anthony's Community Hospital (60 beds) and Bon Secours Charity Health System Medical Group, P.C. (over 120 physicians). In 2016, WMCHealth acquired HealthAlliance, consisting of its Mary's Ave Campus (150 beds), Broadway Campus (150 beds) and Margaretville Hospital (15 beds) along with MidHudson Physicians, P.C. (over 120 physicians). With the additions of MidHudson, BSCHS, and HealthAlliance, WMCHealth grew from 652 hospital beds and over 300 physicians in 2014 to 1,678 hospital beds and over 560 physicians (over 630 when including mid-level practitioners) as of June 30, 2020. See "STRATEGY AND FUTURE PLANS" herein for more information on WMCHealth.

WESTCHESTER MEDICAL CENTER

General

WMC is an academic medical center and the region's only advanced care and Level 1 trauma center, serving more than 3 million people in the eight-county Hudson Valley region, northern New Jersey and lower Connecticut. WMC's main campus is located on an approximately 93-acre campus in suburban Westchester County, New York (the "Valhalla Campus"). The Valhalla Campus is leased from the County pursuant to a Lease Agreement (defined herein). WMC consists of four major facilities with 895 total beds. The major facilities comprising WMC are: (i) the Main Hospital (the "Main Hospital"), (ii) the Behavioral Health Center at Westchester ("BHC"), (iii) the Children's Hospital, all located on the Valhalla Campus, and (iv) MidHudson in Poughkeepsie, New York. See "FINANCIAL HISTORY OF THE CORPORATION" herein for details of the Lease Agreement for the Valhalla campus.

WMC's provision of advanced care and specialty services has made it the primary referral hospital for physicians and patients in the region. See "SERVICE AREA AND MARKET ENVIRONMENT - Competition" herein. WMC is a receiving hospital specializing in tertiary and quaternary care. As a receiving hospital, WMC receives over 9,400 patients per year whose conditions require that they be transferred to WMC from area community hospitals. Additionally, in 2019, WMC had over 47,000 Emergency Department ("ED") visits while admitting 30% of these patients for inpatient treatment. WMC is the academic affiliate of New York Medical College, and graduate medical education training programs are conducted in numerous specialty and subspecialty areas.

The Main Hospital

The Main Hospital, provides a full range of services to adult patients with advanced care needs, including heart, liver and kidney transplantation, cardiovascular surgery, neurosciences, burn, and Level 1 trauma.

The Children's Hospital

In 2004, the Children's Hospital opened as a regional facility for pediatric and advanced neonatal services. The Children's Hospital provides a full range of medical and surgical subspecialties to its patients, including cardiac surgery, neurosurgery and bone marrow transplant services. Patient demand at the Children's Hospital has outpaced capacity in most years.

Behavioral Health Center at Westchester

BHC has 101 acute care psychiatric beds licensed by the New York State Office of Mental Health. BHC has provided inpatient mental health services in the County for over 75 years. Within BHC there are six distinct care units, each with a different specialty and clinical program that care for children, adolescents and adults suffering from mental illness and in need of short-term acute care services. BHC's comprehensive array of outpatient services consistently generates over 16,000 visits per year.

Ambulatory Care Pavilion

In 2019, WMC opened the 270,000 square foot, eight-story Ambulatory Care Pavilion (the "ACP") which is connected to the Main Hospital. The ACP offers a dedicated ambulatory care space in which to provide and improve services and increase capacity. The ACP supports the Corporation's strategy of advancing health care services and developing an integrated health network in the region. The ACP includes (i) approximately 160,000 square feet of ambulatory are space and employed physician offices, as well as administrative space, (ii) approximately 100,000 square feet for non-employed physician medical office space, and (iii) an approximately 24,000 square foot expansion of the main hospital tower for the creation of up to 24 private rooms. Specific services include: the Advanced Imaging Center, the Heart and Vascular Institute, the Ambulatory Surgery Center, eight operating rooms, and two cardiac catheterization labs.

MidHudson Regional Hospital

The Corporation purchased substantially all the assets of St. Francis Hospital in Poughkeepsie, New York from bankruptcy on May 9, 2014 and merged it into WMC. MidHudson Regional Hospital, as St. Francis Hospital was renamed, is a Level II Trauma Center and has 243 inpatient beds, including 100 behavioral health beds. It also operates home care services programs including a certified home health agency and a licensed home care services agency.

Scope of Services

WMC's strategic positioning has been based on its model as a regional resource with a strict focus on tertiary and quaternary care. As of June 30, 2020, WMC's Medicare and overall composite case mix indices were 2.7 and 2.2, respectively. With one of the highest case mix indexes in New York State and in the United States, WMC's technological capabilities and professional strengths allow for a strong long-term competitive position. In recent years, WMC has actively expanded its service capabilities to deliver a full continuum of care to the residents of the Hudson Valley. As described further herein, the addition of MidHudson followed by BSCHS and HealthAlliance has allowed the development of a regional integrated delivery system led by WMC.

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Currently, WMC is licensed to operate beds as shown below:

Service	Licensed Beds Valhalla Campus	Licensed Beds MidHudson	Total
Adult Medical-Surgical	261	100	361
Adult Intensive Care	64	8	72
Coronary Care	8	7	15
AIDS	21	--	21
Total Medical-Surgical	**354**	**115**	**469**
Pediatric	69	10	79
Pediatric Intensive Care Unit	18	--	18
Maternity	15	--	15
Psychiatric	101	40	141
Physical Medicine and Rehabilitation	18	18	36
Neonatal Intensive Care	49	--	49
Chemical Dependency	--	60	60
Correctional Unit	14	--	14
Burn Care	10	--	10
Bone Marrow Transplant	4	--	4
Total Other	**298**	**128**	**426**
Total Beds	**652**	**243**	**895**

Source: Hospital Operating Certificate

NETWORK SERVICES

Bon Secours Charity Health System

In May 2015, the Corporation acquired a 60% economic interest in BSCHS, becoming BSCHS's majority corporate member. The Corporation also manages BSCHS through a Management Agreement. BSCHS is comprised of three community hospitals, two skilled nursing facilities and an assisted living facility. They are:

Facility	Location	Beds	Facility Type
Good Samaritan Hospital	Suffern, New York	286	Hospital
St. Anthony's Community Hospital	Warwick, New York	60	Hospital
Bon Secours Community Hospital	Port Jervis, New York	122	Hospital
Mount Alverno	Warwick, New York	85	Assisted Living
Schervier Pavilion	Warwick, New Yok	120	Skilled Nursing
St. Joseph's Place	Port Jervis, New York	46	Skilled Nursing

BSCHS also controls the Bon Secours Charity Health System Medical Group P.C. with approximately 151 providers and operates a certified home health agency. The Corporation, as part of the BSCHS transaction, guaranteed the annual debt service on bonds issued as part of the transaction. Further, in the event BSCHS cannot do so on its own, the Corporation agreed to fund all cash, working capital and capital needs of BSCHS and its subsidiaries, including operating losses on a cash basis, if any, and debt service on all BSCHS debt, with any such funding by the Corporation to be treated as subordinated debt

obligations from BSCHS to the Corporation. *BSCHS is not a member of the Obligated Group and therefore not responsible for payments on the Series 2020 Bonds.*

HealthAlliance

On March 30, 2016, WCHCC entered into an affiliation agreement with HealthAlliance, Inc. and WMCHealth Network – Ulster, Inc. ("WMC – Ulster", a subsidiary of WCHCC), in which WMC-Ulster became the sole member of HealthAlliance. On October 21, 2019, WCHCC became the sole member of HealthAlliance. HealthAlliance is comprised of three hospitals and a nursing home. They are:

Facility	Location	Beds	Facility Type
HealthAlliance Hospital: Broadway Campus	Kingston, New York	150	Hospital
HealthAlliance Hospital: Mary's Avenue Campus	Margaretville, New York	150	Hospital
Margaretville Hospital	Margaretville, New York	15	Hospital
Mountainside Residential Care Center	Margaretville, New York	82	Skilled Nursing

The Corporation does not guarantee the debt of HealthAlliance. *HealthAlliance is not a member of the Obligated Group and therefore not responsible for payments on the Series 2020 Bonds.*

WMC Licensure and Accreditation

WMC is licensed by the New York State Department of Health, New York State Office of Mental Hygiene, New York State Office of Alcoholism and Substance Abuse Services, New York State Office for People with Developmental Disabilities and accredited by DNV. WMC is also certified by the United States Department of Health and Human Services for participation in the Medicare and Medicaid programs. The American College of Surgeons Accredits WMC's Cancer and Trauma Programs.

WMC Facilities

Valhalla Campus

The campus buildings are utilized for a mix of inpatient, outpatient, diagnostic, residential and support service functions. One of the largest of these buildings is the seven story Main Hospital, which provides the facilities for acute adult inpatients. The following table lists the Valhalla Campus's main buildings, approximate gross square footage, their year of construction, and principal facilities or services.

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Building	Approximate Square Footage	Year of Construction	Principal Facilities and Services
University Hospital	420,540	1971	Inpatient units
Ambulatory Care Pavilion	270,000	2019	Ambulatory surgery, diagnostic imagining physician offices
Macy Pavilion	252,000	1917	Operating rooms, outpatient department
Taylor Pavilion	370,000	1936	Administrative and clinical support services, inpatient/outpatient psychiatry including the Behavioral Health Center
Children's Hospital	250,000	2004	Inpatient units, emergency department
Elmwood Hall	94,270	1925	Support services department
Beachwood Hall	39,100	1961	Staff housing
Maplewood Hall	38,800	1963	Staff housing
Cedarwood Hall	101,900	1969	Developmental disabilities and outpatient programs as well as administrative support
Orchard Parking Structure	1,100 spaces (approximately)	1993	Parking facilities
Medical Records Annex	9,700	2002	Medical Records
Ronald McDonald House	16,900	2009	Family accommodation

Besides the above-listed buildings, WMC leases space in the 210,000 square foot – Bradhurst Medical Arts building adjacent to the Valhalla Campus for outpatient services, physician practice offices and administrative space.

MidHudson Regional Hospital

The 13 structures at MidHudson are utilized for a mix of inpatient, outpatient, diagnostic and support services. The following table lists MidHudson's main buildings, their year of construction, approximate gross square footage and principal facilities or services.

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Building	Approximate Square Footage	Year of Construction	Principal Facilities and Services
Main Hospital			
Roosevelt	28,057	1924	Rehabilitation Neuro Psych/MH OPD
Thorne	43,278	1951	Behavioral Health, Alcohol Rehab, Bariatric Surgery, Respiratory Therapy
Tower	27,597	1951	Behavioral Health, Alcohol Rehab, Pharmacy, Diabetes Management
Spellman	62,035	1959	Behavioral Health, Alcohol Rehab, Lab, Trauma, Sleep Center
Neumann	32,635	1977	Emergency Department, Cardiac Cath Lab
Cooke	118,268	1981	Radiology, OR, ICU, PCU, CCU, Physical Rehab, Orthopaedics, Neurology, Surgical Oncology
Atrium	148,896	2000	Administration, Cafeteria, Medical Offices
Ancillary Hospital Properties			
Boiler Plant	5,707	1950	Facilities
Parking Garage	300,000	1999	Parking
Convent Building	17,180	1962	IT/Daycare
Distribution Warehouse	10,382	1963	Distribution Warehouse
Greenhouse	696	N/A	
Beacon, NY Properties			
Panichi Family Center	8,500	2005	Early Education Center

MidHudson also rents about 19,200 square feet of space in a building on campus for clinical, administrative and support services.

Accreditations and Certifications

WMC holds the following accreditations and certifications:

- American Academy for Sleep Medicine
- American Association of Blood Banks (Mid-Hudson Regional Hospital only)
- American College of Surgeons – Adult
- American College of Surgeons – Pediatrics
- American College of Surgeons – Commission on Cancer Accreditation
- American College of Radiology – for CT, MRI, Stereotactic Breast Biopsy, Ultrasound
- American Society of Histocompatibility and Immunogenetics – Transplant
- COG for Children's Oncology for Clinical Trials
- College of American Pathologists

- Commission on Accreditation of Rehabilitation Facilities certification – Opioid Treatment Program
- Commission on Cancer Accreditation – Academic Level
- Community Health Accreditation Program
- DNV Comprehensive Stroke Center Certification (Valhalla campus only)
- DNV – NIAHO Hospital Accreditation Program
- FACT – Foundation for the Accreditation of Cellular Therapy
- Functional Assessment of Cancer Therapy Bone Marrow Biopsy Treatment
- Intersocietal Accreditation Commission (ASHI) – Nuclear Medicine, Nuclear Cardiology and PET
- The Joint Commission – Ventricular Assist Device
- MBSAQIP – Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program
- National Accreditation Program for Breast Centers
- Undersea and Hyperbaric Medical Society

WMCHealth is home to the region's only Level 1 and Level 2 trauma centers, organ transplant center, full service heart center, pediatric intensive care unit ("ICU"), Level 4 neonatal ICU, burn center between New York City and northward to the Canadian border and children's hospital.

GOVERNANCE, MANAGEMENT, MEDICAL STAFF AND EMPLOYEES

The Board of Directors

The Corporation is governed by 15 voting directors, eight of whom are appointed by the Governor of the State of New York and seven of whom are appointed by the County Board of Legislators, subject to the approval of the County Executive. In addition, there are four non-voting representatives on the Board of Directors, which include the Chief Executive Officer of the Corporation, one representative selected by the Westchester County Executive, one selected by the majority leader of the County Board of Legislators and one selected by the minority leader of the County Board of Legislators. The Board of Directors adopted an initial set of Bylaws on December 17, 1997, which, as amended, provide that the officers of the Board of Directors of the Corporation shall be a Chair, a First Vice Chair, two Vice Chairs, a Secretary and a Treasurer, all of whom shall be voting directors and shall be elected at the Annual Meeting of the Board of Directors. In addition, the Chief Executive Officer, Chief Financial Officer, Chief Legal Officer and Assistant Secretary are designated as additional officers of the Corporation. The Bylaws provide for several standing committees, including an Executive Committee, Finance Committee, Audit and Compliance Committee, Personnel and Compensation Committee, Governance Committee, Strategic Planning Committee and Quality Care Committee.

The Board of Directors exercises direction over all of the matters specified by the statute, Bylaws and applicable law. In addition, pursuant to the Procurement Policies and Procedures adopted by the Board of Directors, the following are also subject to the approval of the Board of Directors: (i) any contract with a term in excess of five years, (ii) any academic affiliation with an accredited medical school, (iii) any contract to borrow on behalf of or loan monies of the Corporation, (iv) any contract for the purchase or sale of real property, (v) any lease by the Corporation for real property from others with an initial term in excess of five years, (vi) any installment purchase contract as defined under Section 109-b of the New York General Municipal Law, and (vii) any contract for the Annual Audit and examination of the accounts of the Corporation.

The following is a list of the members of Board of Directors of the Corporation as of July 1, 2020, including their business affiliation/occupation and length of time on the Board:

Member	Title	Occupation	Member Since
Orlando Adamson, M.D.	Director	Physician – Emergency Medicine Harlem Hospital New York, NY	2010
John Flannery[1]	Ex-Officio	Attorney-at-Law Wilson, Elser, Moskowitz, Edelman & Dicker, L.L.P White Plains	2020
William Frishman, M.D.	Director	Physician New York Medical College Valhalla, NY	2010
Renee Garrick, M.D.	Director	Executive Medical Director Westchester Medical Center Valhalla, NY	2004
Herman Geist	Director	Retired Armonk, NY	2005
Susan Gevertz	Vice Chair	Healthcare Consultant Scarsdale, NY	2006
John Heimerdinger	Secretary	Retired Armonk, NY	1998
Mitchell Hochberg	Chair	Executive Managing Director Madden Capital LLC New York, NY	2000
Michael Israel[1]	Ex-Officio	President / CEO Westchester Medical Center Valhalla, NY	2005
Patrick McCoy	Director	Director of Finance Metropolitan Transportation Authority New York, NY	2007
Tracey Mitchell	Director	Diversity Compliance Manager Metropolitan Transit Authority New York	2020
Alfredo Quintero	Director	Managing Director Ramirez & Co. Inc. New York, NY	2006
Martin Rogowsky[1]	Ex-Officio	Retired Purchase, NY	2020
Michael N. Rosenblut[1]	Ex-Officio	President/CEO Parker Jewish Institute New Hyde Park, NY	2019
Zubeen Shroff	First Vice Chair	Healthcare Consultant Galen Partners Stamford, CT	2009
Mark Tulis	Treasurer	Attorney-at-Law Tulis, Wickes, Huff & Geiger, LLP Tarrytown, NY	1997
Richard G. Wishnie	Director	President Richard G. Wishnie & Associates, LLC Briarcliff Manor, NY	2014

[1] Non-voting representative.

Officers of the Corporation

The officers of the Board of Directors of the Corporation as of July 1, 2020:

Chair of the Board of Directors	Mitchell Hochberg
First Vice Chair of the Board	Zubeen Shroff
Treasurer	Mark Tulis
Secretary	Susan Gevertz
Secretary Vice Chair of the Board of Directors	John Heimerdinger

Executive Staff of the Corporation

The key members of the executive staff of the Corporation as of July 1, 2020 are as follows:

Michael D. Israel

Michael D. Israel is the President and Chief Executive Officer ("CEO") of the Corporation. Mr. Israel has served as the Corporation's President and CEO since August 2005 and brings more than 30 years of healthcare experience to the organization. Prior to becoming the CEO of the Corporation, Mr. Israel worked at the Corporation in a consulting role with Pitts Management Associates, Inc.

Mr. Israel previously served as the COO of the North Shore Long Island Jewish Health System based in Great Neck, New York, where he was responsible for the operational performance of the system's hospitals. From 1993 to 2002, he served as the CEO of Duke University Hospital, the University's Vice Chancellor for Health Affairs and as Vice President of the Duke University Health System. Prior to Duke, he served in operational and financial leadership positions at St. Luke's Episcopal Hospital/Texas Heart Institute in Houston, Texas, and hospitals and healthcare organizations in Pennsylvania and New Jersey.

Mr. Israel holds a Master of Public Health, Hospital Administration from Yale University, where he received a United States Public Health Services Fellowship, and a Bachelor of Arts, Business Administration, from Rutgers College. He is a Fellow of the American College of Healthcare Executives.

Gary F. Brudnicki

Gary F. Brudnicki is Senior Executive Vice President and Chief Financial Officer ("CFO")/Chief Operating Officer ("COO") of the Corporation. With more than 30 years of healthcare experience, Mr. Brudnicki joined the Corporation in 2005. Prior to becoming the CFO/COO of the Corporation, Mr. Brudnicki worked at the Corporation in a consulting role with Pitts Management Associates, Inc. Mr. Brudnicki previously served as the CFO and Senior Vice President of Saint Raphael Healthcare System. For 19 years, Mr. Brudnicki was a member of the management team at Episcopal Health Service, serving for most of that time as Senior Operating Executive and Chief Financial Officer.

Mr. Brudnicki holds a Bachelor of Science Degree, magna cum laude, from Boston College. A Certified Public Accountant, he is a member of the American College of Healthcare Executives and the Healthcare Financial Management Association.

Mark J. Fersko

Mark J. Fersko is Executive Vice President of Financial Planning and Managed Care of the Corporation. With more than 30 years of healthcare experience, Mr. Fersko joined WMC in 2005 and is responsible for all financial planning functions such as hospital acquisitions, new and expanded services,

revenue functions including governmental reimbursement, managed care contracting and revenue cycle functions including admitting, patient access, billing, utilization management and discharge planning.

Mr. Fersko previously served as the Vice President of Financial Planning at Saint Raphael Healthcare System and spent over 20 years as a member of the management team at Episcopal Health Service, serving for most of that time as Vice President of Financial Planning.

Mr. Fersko holds a Bachelor of Science Degree from Miami University.

Julie Switzer

Julie Switzer is Executive Vice President, Chief Legal Officer and General Counsel of the Corporation. Ms. Switzer has served as General Counsel since March 2007, and brings more than 30 years of healthcare and hospital law experience to the Corporation. Ms. Switzer is a member of the Corporation's senior management team and works closely with Mr. Israel and Mr. Brudnicki on their strategic initiatives, provides them with legal counsel and serves as counsel to the Corporation's Board of Directors. Under Ms. Switzer's leadership, the Corporation's Department of Legal Affairs is a robust team of attorneys handling, among others, corporate, real estate, litigation, regulatory, labor and employment, managed care, and patient care matters.

Prior to 2007, Ms. Switzer served as the Senior Vice President and Deputy General Counsel of Northwell Health (formerly North Shore – Long Island Jewish Health System) where she supervised a thirteen (13) member legal department from 1999 to 2007. From 1994 to 1999, she was at New York Presbyterian Hospital, where she served as the Vice President of Legal Affairs, as well as the General Counsel of the New York Hospital Medical Center of Queens. Prior to joining New York Presbyterian Hospital, Ms. Switzer was a partner in the healthcare law firm Kalkine, Arky, Zall & Bernstein (now Manatt Phelps Phillips) in New York City, New York.

Ms. Switzer holds a Juris Doctor from Columbia University School of Law, a B.A. from Columbia University, and a degree in Nursing. Ms. Switzer was a coronary intensive care unit nurse at Mt. Sinai prior to becoming an attorney. Ms. Switzer is a member of the New York State Bar and the American Health Lawyers Association.

Medical Staff

As of June 30, 2020, WMC had a medical staff of 1,223 physicians. Approximately 99% of the active medical staff members are board-certified or board-eligible, and the average age of the active staff is approximately 51 years. The following table illustrates the number of physicians by clinical department:

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Clinical Department	Valhalla	MidHudson	Combined
Anesthesiology	63	15	78
Cardiology	57	26	83
Dental Medicine	41	0	41
Emergency Medicine	45	20	65
Medicine	116	136	252
Neurology	30	13	43
Neurosurgery	22	3	25
OB/GYN	39	13	52
Ophthalmology	26	13	39
Orthopedic Surgery	18	25	43
Otolaryngology	13	6	19
Pathology	15	5	20
Pediatrics	221	0	221
Psychiatry	35	15	50
Radiation Medicine	5	3	8
Radiology	27	3	30
Rehabilitation Medicine	10	8	18
Surgery	76	24	100
Urology	25	11	36
TOTAL	**884**	**339**	**1,223**

Employees

As of June 30, 2020, the Corporation has approximately 2,876 employees, including 1,485 professional nurses at the Valhalla campus. To date, the Corporation has had a satisfactory working relationship with its unions. The unions with a significant membership at WMC are: New York State Nurses Association ("NYSNA"); Civil Services Employees' Association, Inc., Local 860, Unit 9201, AFSCME, AFL-CIO ("CSEA"); and Committee of Interns and Residents ("CIR"). The Corporation's current Collective Bargaining Agreement with CSEA expires on December 31, 2023. The current collective bargaining agreement with NYSNA expires on December 31, 2021. The current collective bargaining agreement with CIR expires on September 30, 2021. The Corporation and its employees are subject to the Taylor Law, which governs employment relations for public employees in New York State, prevents management from "locking-out" employees and prevents employees from striking against employers such as the Corporation.

The Corporation offers its employees the opportunity to participate in the following benefit plans: comprehensive health care coverage, which includes medical, prescription drugs, dental and vision coverage; A 457 Plan, known as the Deferred Compensation Plan of the State of New York, New York State and Local Employee Retirement System; a tuition reimbursement program, a Flexible Spending Account Plan and Employee Assistance Program. In 2018 and 2019, the employer contributions to the pension plan for the Corporation's employees approximated $36.4 million and $35.7 million, respectively. To date, the Corporation has made all required contributions to the pension plan.

As of June 30, 2020, the Corporation has approximately 1,271 employees, including 282 professional nurses at the MidHudson campus provided through Mid-Hudson Valley Staffco, LLC ("Mid-Hudson Valley Staffco" or "StaffCo"), a professional employment organization. Mid-Hudson Valley StaffCo has a collective bargaining agreement with 1199 SEIU, a health care worker union that covers substantially all the employees at MidHudson. StaffCo's collective bargaining agreement with 1199 expires on September 30, 2021. However, as StaffCo is a member of the League of Voluntary Hospitals and Homes

(the "League"), subsequent collective bargaining agreements will be negotiated on its behalf by the League. The Taylor Law does not apply to the employees represented by 1199 at the MidHudson Campus.

StaffCo currently offers its employees the opportunity to participate in the following benefit plans: Comprehensive health care coverage, which includes medical, prescription drugs, dental and vision coverage: A 401(k) defined contribution pension plan. tuition reimbursement, a Flexible Spending Account Plan and Employee Assistance Program.

For a discussion of the Corporation's pension liabilities, see Note 7 of Appendix B – "Audited Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2019 and 2018." See Note 2, "Pending Accounting Pronouncements" of Appendix B regarding GASB No. 87 Leases which was adopted by the Corporation on January 1, 2020. For discussion of the Corporation's other post-employment retirement benefits see Note 8 of Appendix B – "Audited Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2019 and 2018."

CURRENT CHALLENGES

While there are several rapid changes occurring in the healthcare environment, WMC has identified three key shifts in healthcare that challenge its current operations. These shifts are:

- Payor mix shift – A rising public payer mix of Medicare and Medicaid, coupled with uncertain reimbursement, as a result of the population aging and the recent unemployment rate increases due to the COVID-19 pandemic.
- Inpatient volume – A transition from high acuity inpatient surgical care to medical care resulting in sicker medical patients requiring complex care, increased length of stay and increased critical care staff skilled to treat such cases.
- Site of care – A shift of clinical care delivery from traditional inpatient settings into outpatient and virtual care settings. This shift includes increased ambulatory surgery, outpatient medical office procedures, and virtual/tele-health services.

These shifts present organizations with economic challenges as they threaten to put traditional revenue streams at risk and local and federal changes continue to put downward pressure on inpatient volume. The reduction of inpatient volume and reduced reimbursement will continue to put downward pressure on hospital margins. While WMC may not fully feel the impact of all these shifts, in particular the shift of inpatient surgical care versus medical care, it continues to monitor these shifts and implement strategies to remain competitive while continuing to focus on operational and financial performance.

Over the past six years, the Hudson Valley region's healthcare landscape has evolved dramatically through the consolidation of independent hospitals into large health systems and networks. Between 2014 and 2019, the majority of independent hospitals in the Hudson Valley had consolidated into six health systems. Through this consolidation, health systems have attempted to tighten their referral channels internally to become more closed systems. WMC continues to monitor these changes, has developed a health network of its own, and continued to foster existing relationships with regional hospitals for higher level tertiary and quaternary care. As a result, between 2014 and 2019, WMC saw an increase in overall transfer volume of 31%.

STRATEGY AND FUTURE PLANS

Strategy of WMC

WMC continues to be committed to serve the healthcare needs of all Hudson Valley residents, regardless of their ability to pay. For approximately 45 years, WMC has served as the region's tertiary and quaternary care referral center, providing high-quality advanced health services and treating the region's most complex clinical cases. WMC is the primary training ground for the region's next generation of physicians, and a leader in conducting cutting-edge research that brings new life-saving treatments to the children and adults of the region.

Given the current challenges in national and regional healthcare markets, WMC's success is contingent, in part, on the development of a true system of care within the Hudson Valley that integrates and coordinates patient services across the continuum, from preventive and primary care to the most complex procedures and advanced treatments. Between 2014 and 2016, the Corporation formally developed WMCHealth, which today includes ten hospitals on eight campuses spanning 6,200 square miles of the Hudson Valley. In 2014, WMC acquired MidHudson and integrated it as a campus of WMC. In 2015, WMC further expanded its service capabilities by becoming the majority corporate member of BSCHS. Finally, in 2016, WMC acquired and is the active parent of HealthAlliance. Today, WMCHealth has approximately 1,700 beds, 13,000 employees and cares for 381,000 patients annually. In 2019, WMCHealth hospitals treated approximately 192,000 patients in the emergency departments and discharged over 56,000 patients from its hospitals.

As these hospitals have joined the WMCHealth, there has been a focused effort to continue the integration of the network through the development and expansion of clinical programs and services at local community hospitals, with integration and access to advanced services specialty care at WMC. This advancement of care has given patients the opportunity to seek high-quality and advanced care locally, with the support and expertise from WMC services and providers. These advancements include the addition of clinical programs and providers within community hospitals through employment in the Corporation's two medical groups, WMC Advanced Physician Services and Bon Secours Medical Group are through the development of relationship and partnerships with community medical groups in the Hudson Valley. These initiatives are part of the Corporation's strategies to retain patients within the network by keeping care local and navigating patients to advanced care at WMC, as appropriate.

As the rapid consolidation of healthcare institutions was noted as a marketplace challenge, WMC has developed and maintained strong partnerships to support the continued growth of transfer from non-network organizations. As noted previously, from 2014 – 2019, the total transfers to WMC increased by 31%. Transfers from in-network institutions increased by 182% and transfers from out-of-network institutions increased by 9% during this time period. WMC is the only tertiary care facility in the Hudson Valley and by maintaining these relationships with regional institutions, Hudson Valley residents are able to remain in the region for their care, regardless of their complexity level.

Strategic Partnerships

Since 2015, WMCHealth has been leading one of the twenty-five Performing Provider Systems ("PPS") in New York State that implemented the Delivery System Reform Incentive Payment program ("DSRIP"). This program's goals included the development of a more efficient and effective delivery of care to Medicaid recipients and the reduction of unnecessary emergency room visits, hospitalizations and readmissions. The DSRIP program formally concluded on March 31, 2020. The WMCHealth PPS successfully brought together 5,600 clinical providers in 207 Hudson Valley organizations: primary and specialty care, mental health and substance use, as well as agencies addressing special populations and social needs.

In 2015, Philips Royal ("Philips") and WMCHealth announced a multi-year, $500 million partnership to transform and improve healthcare across the Hudson Valley. Through this partnership, Philips provides a comprehensive range of clinical and business consulting services, as well as advanced medical technologies such as imaging services, patient monitoring, telehealth, and clinical informatics solutions. Through this partnership, WMC's telehealth capabilities expanded to support care of patients across the network. Expanded programs include eICU, eSitter and several specialty consultative services.

To strengthen the academic medicine programs as well as clinical care and research practices, WMC and NYMC announced a 12-year academic affiliation agreement in 2017. Through this agreement WMC became the sponsor of most of the teaching programs and the primary teaching site for the clinical education of students of NYMC and affiliated programs. WMC continues to focus on the importance of training and preparing the future generation of healthcare providers. In July 2020, WMC welcomed 149 new residents and fellows into 35 graduate medical education programs. Through the increased strength of the WMC's match program results, WMC continues to provide academic medical care in the region.

In 2019, WMCHealth entered into a 10-year strategic alliance with Cerner to lay the groundwork for a network-site electronic health record ("EHR"). The new tools implemented throughout this partnership will help deliver clinical integration, increase accuracy and efficiency and support higher quality care and lead to better outcomes. The first go-live of this transition to the EHR, myCare is scheduled for October 2020, which includes the transition of WMC and WMC Advanced Physician Services to this platform.

2020 Capital Projects

The proceeds from the sale of the Series 2020 Bonds will provide significant cash flow savings to WMC for the next fourteen years, resulting in the release of certain existing debt service reserve funds and provide new money for capital equipment, renovations of existing facilities on the Valhalla campus and other purposes.

Westchester Medical Center's 2020 Strategic Plan

"In recognition of the need to respond to the changing healthcare environment, the Corporation's Board of Directors adopted its 2020 Strategic Plan in February 2015, which included a new Mission Statement and Vision Statement. Since then, the Mission Statement has been reviewed annually and updated accordingly.

WMCHealth's vital mission is to provide the highest quality care for all residents of the Hudson Valley regardless of ability to pay. WMCHealth will build on its long tradition of delivering the most advanced services in the region by providing a fiscally sound network that ensures access to a coordinated continuum of care for its community. As the region's only academic medical center-led network, WMCHealth is committed to educating the next generation of caregivers for the Hudson Valley and integrating research to advance treatment, expand knowledge, and improve lives.

WMC's vision is to be the provider of choice for Hudson Valley residents by establishing a system of care with multiple points of access to ensure availability of care close to home. WMC intends to leverage its unique strength as an academic medical center to provide the highest quality, patient-centered care in the Hudson Valley to respond to the needs of its community.

The Strategic Plan was structured around three primary goals, supported by enabling strategic initiatives designed to chart the course of WMC over five years. The first primary goal was to develop a Hudson Valley "System of Care". WMC met this goal by (i) continuing to seek new relationships with community hospitals, (ii) strengthening alignment with leading physician groups and further evolve

employed physician groups and (iii) expanding clinical specialty services, including the implementation of telemedicine services across WMCHealth. The second goal was to advance integration across the continuum of care. This goal was accomplished by (i) leveraging the DSRIP opportunity to link providers and services across the continuum of care, (ii) expanding outpatient services capabilities and (iii) developing a post-acute services strategy. The third goal was to optimize clinical education and research by enhancing academic affiliations. In furtherance of this goal, WMC finalized a new academic affiliation agreement with NYMC. As stated above under the caption "Strategy of WMC", these strategic goals have been achieved through the organization's commitment to develop an integrated health network through strategic partnership to optimize clinical care (such as Philips and Cerner), and through its strong academic affiliation with NYMC.

During these five years, WMC continued to develop and optimize other system components critical to its evolution, including; a robust physician network of primary care physicians and specialists; a strong network of community providers throughout the Hudson Valley; robust outpatient services and access sites; a network of continuing care providers; world-class information technology and analytics; and a renewed emphasis on growth and improvement in its medical education programs and research initiatives linked to its newly evolving clinical enterprise.

As this year is the final year of the 2020 Strategic Plan, WMC is embarking on a planning process to update the strategic plan. While the planning process is currently underway, several focus areas have been identified including (i) an assessment of the organization's physician enterprise, including clinical leadership and a prioritization of provider recruitment needs as well as clinical partnership opportunities, (ii) the identification of hospital clinical services, program development, and growth opportunities along with an assessment of the facility and capital needs to support these programs, and (iii) a prioritization of ambulatory services development based on the healthcare trends with expansion of physical locations, as applicable.

Bon Secours Charity Health System

The addition of BSCHS to WMCHealth's system significantly expanded its service area and capabilities while further integrating care across the Hudson Valley.

BSCHS facilities and services are complementary to those offered by the Corporation and deepen the presence of WMC within its existing service area. The combination has resulted in improved performance at BSCHS through:

- integration of clinical services leading to more effective and efficient patient care in the service area;
- expansion of advanced care available at BSCHS facilities;
- implementation of telemedicine and tele-ICU services to improve delivery of specialty services;
- reduction in overhead costs and revenue enhancements due to integration with WMC, and;
- expansion and improvement of clinical capabilities at BSCHS hospitals, including upgraded diagnostic imaging, upgraded inpatient clinical units, upgraded cardiac catheterization unit, and medical village development.

The Transfer Center located at the Valhalla Campus coordinates the transfer of patients in need of a higher level of care. In 2019, WMC received 892 transfers from BSCHS hospitals; this represents an 11% increase in transfers from 2016, the first year after BSCHS joined WMCHealth.

HealthAlliance of the Hudson Valley

Similarly, the addition of HealthAlliance in early 2016 expanded the Corporation's service area and capabilities while bringing considerable benefit to the Ulster County area. Further enhancing the addition of HealthAlliance to the Corporation's network of hospitals, was HealthAlliance's receipt of an $88.8 million capital award from the New York State Capital Restructuring Finance Pool and an additional $78.8 million in operating funds to support the consolidation of HealthAlliance's two Kingston- based hospitals into a single 175 bed hospital and the development of a Medical Village on the campus of the vacated hospital. This additional funding amount is intended to provide HealthAlliance with sufficient financial stability to ensure a breakeven point during the construction period. Consolidation of the hospitals is expected to be completed in early 2022 with Medical Village development to follow. In addition, other healthcare services have been, or are in the process of being, developed in the area. They include:

- cardiovascular services, including physician recruitment and advanced clinical services such as percutaneous coronary intervention and electrophysiology services
- tele-health capabilities originating from WMCHealth's E-Health Center located on the Valhalla Campus, and
- aggressive recruitment to employ providers, including primary care, pulmonology, gastroenterology, ophthalmology, Oncology and various surgical sub-specialties (39 FTEs over the last two years).

WMCHealth defines the "Northern Region" as the geography of Dutchess, Ulster and Delaware counties. Within this region, WMCHealth has the HealthAlliance hospitals and MidHudson, which operate independently, compete for market share, and offer overlapping services to patients who live in the region. WMCHealth has developed a strategic plan for the Northern Region with goals to reduce duplication of services across sites and develop regional "Centers of Excellence" to position both HealthAlliance and MidHudson for growth and financial stability. Through the implementation of this three-year plan, the organizations endeavor to: (1) improve patient access to care through the hospital locations, emergency departments, primary care and care coordination; (2) integrate and coordinate care among between network sites and with partners; (3) expand and develop clinical services across the region and expand the utilization of telehealth services; and (4) regionalize specialty inpatient services (i.e. behavioral health and cardiovascular services) into Centers of Excellence designed to deliver high quality care.

AFFILIATIONS AND RELATED ENTITIES

The Corporation maintains working relationships with numerous other health care institutions and physician practice groups in the New York metropolitan area. These alliances enable the Corporation and its affiliates to initiate and participate in joint clinical and academic activities. These alliances have helped the Corporation establish a presence throughout the New York metropolitan area. The following is a brief description of certain of these relationships.

THE CORPORATION IS CURRENTLY THE SOLE MEMBER OF THE OBLIGATED GROUP AND, AS SUCH, IS SOLELY RESPONSIBLE FOR PAYMENT OF DEBT SERVICE ON ALL SERIES OF BONDS ISSUED PURSUANT TO, AND/OR SECURED BY, THE MASTER INDENTURE.

Affiliations

New York Medical College

WMC is committed to training physicians and provides training for qualified physicians through its graduate medical education programs. In furtherance of WMC's commitment to medical education, it is

closely affiliated with NYMC. Annually, WMC's Medical Staff trains approximately 450 residents and fellows in 35 accredited graduate medical education training programs.

The relationship between the Corporation and NYMC permits each institution to fulfill its commitment to providing high quality medical care, medical education and medical research. The relationship is memorialized in an affiliation agreement. The affiliation agreement details the nature of the affiliation, as well as the financial relationship between NYMC and the Corporation, whereby the Corporation purchases physician teaching, supervision and administrative services for its graduate medical education and related programs from NYMC.

Related Entities

The Corporation has a number of wholly-owned subsidiaries in which it is the sole voting member, and two for-profit subsidiaries, for which it holds 100% of the stock interest. Four entities, WMC Foundation, Inc., the Mid-Hudson Valley Early Education Center (the "Early Education Center"), WMC-New York, Inc. and North Road LHCSA, Inc. are not-for-profit organizations formed under the New York Not for Profit Corporation Law exclusively for charitable, scientific and educational purposes within the meaning of Section 170(c)(2)(B) and 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and for the purposes of supporting, maintaining and otherwise benefiting and being responsive to the needs and objectives of WMC.

Westchester Medical Center Foundation, Inc.

The WMC Foundation was formed as a not-for-profit tax exempt corporation on July 8, 1999 to conduct fund raising activity for the Corporation. The Corporation has substantial reserve powers with respect to the WMC Foundation, including without limitation, the power to: (i) elect and remove the WMC Foundation's Trustees; (ii) approve fundamental policies of the WMC Foundation, (iii) approve the WMC Foundation's budget and investment policies; (iv) authorize the amendment of the WMC Foundation's Certificate of Incorporation or bylaws, and (v) authorize: (a) the merger of the WMC Foundation with any other entity, (b) the sale or disposition of essentially all of the WMC Foundation's assets, and (c) the dissolution of the WMC Foundation.

Mid-Hudson Valley Early Education Center

The Early Education Center is a not-for-profit entity that was formed in May 2014. The primary focus of the Early Education Center is to provide day care and childhood early education to children between the ages of eighteen months to five years of age who are diagnosed with autism and other developmental disabilities.

WMC-New York, Inc.

WMC-New York, Inc. is a non-profit, tax-exempt entity formed on August 27, 1999 under the New York Not-for-Profit Corporation Law. The Corporation is WMC New York's sole voting member.

WMC-New York, Inc. is the holder of 100% of the shares in WCHCC (Bermuda), Limited ("WCHCC Bermuda") (described below), as well as is the sole member of four limited liability companies, StaffCo, Westchester Integrated IPA, LLC, Hudson Valley Property Holdings and Center for Regional Healthcare Initiatives.

North Road LHCSA, Inc.

North Road LHCSA, Inc. ("LHCSA") is a not-for-profit entity formed in May, 2014 under the New York Not-For-Profit Corporation Law for the purpose of establishing, operating and maintaining, licensed home care services agency as defined in Article 36 of the Public Health Law of the State of New York.

NorthEast Provider Solutions, Inc.

NorthEast Provider Solutions, Inc. ("NorthEast Provider"), formally known as WCHCC Holdings, Inc. ("Holdings"), is a for-profit corporation organized in December 1997 and existing under the New York Business Corporation Law. NorthEast Provider provides physician management services to the WCHCC affiliated Physician Groups, employs Corporation personnel, and operates The Hearing Works, which provides hearing aids.

WCHCC (Bermuda) Limited

WCHCC Bermuda was incorporated in Bermuda on December 24, 1997 in accordance with the provisions of Bermuda law. WCHCC Bermuda was registered as a Class 2 Insurer, pursuant to The Insurance Act of 1978, effective January 2, 1998, and is wholly owned by WMC-New York, Inc.

WCHCC Bermuda was formed for the purpose of providing Hospital Professional Liability and General Liability coverages to the Corporation, and Professional Liability (malpractice) coverage to certain employed physicians. WCHCC Bermuda only provides professional liability coverage for physicians who are employed by the Corporation, WMC Advanced Physician Services. For a description of the insurance provided, see "PROPERTY CASUALTY, PROFESSIONAL AND GENERAL LIABILITY INSURANCE PROGRAM" herein.

Westchester Medical Center Advanced Physicians Services, P.C.

On March 11, 2009, WMC Advanced Physician Services was organized and incorporated under the New York Business Corporation Law as a professional corporation controlled by WMC. WMC Advanced Physician Services employs physicians and other clinical personnel to engage in clinical activity and provide teaching, supervision and administrative services to the Corporation. As of December 2019, there were approximately 406 physicians and 683 nurse practitioners, physician assistants and other staff in the employment of WMC Advanced Physician Services.

Mid-Hudson Valley Staffco, LLC

Mid-Hudson Valley Staffco was formed as a Professional Employer Organization on May 9, 2014, with WMC-New York, Inc. as the sole member. The purpose of Mid-Hudson Valley Staffco is the provision of professional and non-professional staffing to the MidHudson campus.

Center for Regional Healthcare Innovation, LLC

The Center for Regional Healthcare Innovation is a WMC-New York, Inc. subsidiary limited liability company. It was formed in 2014 to design and execute strategies to transform healthcare in the Hudson Valley through participation in New York State's five-year, $8 billion DSRIP program. DSRIP formally concluded on March 31, 2020.

SERVICE AREA AND MARKET ENVIRONMENT

The WMC market is broadly defined due to its role as the tertiary referral center for the Hudson Valley, the comprehensive nature of its tertiary program mix (both the Medicare and non-Medicare case mix indexes exceed 2.0), and the accessibility to highly specialized medical services which it provides to suburban and rural communities.

The service area from which it draws its patients defines the Corporation's market:

Primary Service Area: the counties of Westchester, Orange, Rockland, Delaware, Dutchess, Putnam, Ulster and Sullivan.

Others include the counties of Pike, Pennsylvania, Fairfield, Connecticut and Sussex and Bergen, New Jersey, Greene, New York and portions of the Northern Bronx. For high level tertiary care, WMC sees patients from all across NYS, including the Capital District and Western New York.

Over the past five years, the healthcare institutions have evolved into a consolidated marketplace with independent hospitals joining health systems. Currently, there are over 27 hospitals in six health systems/health networks across the Hudson Valley. Additionally, the three key shifts in healthcare referenced in "CURRENT CHALLENGES" have impacted and will continue to impact the regional market environment.

Impact of Market Environment Trends on Westchester Medical Center

Even though health networks have formed in the region, WMC's position in its markets, as the sole tertiary care facility providing convenient access to high level care, has cushioned it from some of the potential downward pressures on utilization. Between 2014-2019, overall transfers to WMC increased by approximately 31%. While the increase from WMCHealth network sites accounted for the majority of transfer growth (182% increase), WMC continued to see a growth in transfer from regional hospitals affiliated with other health systems (9% growth).

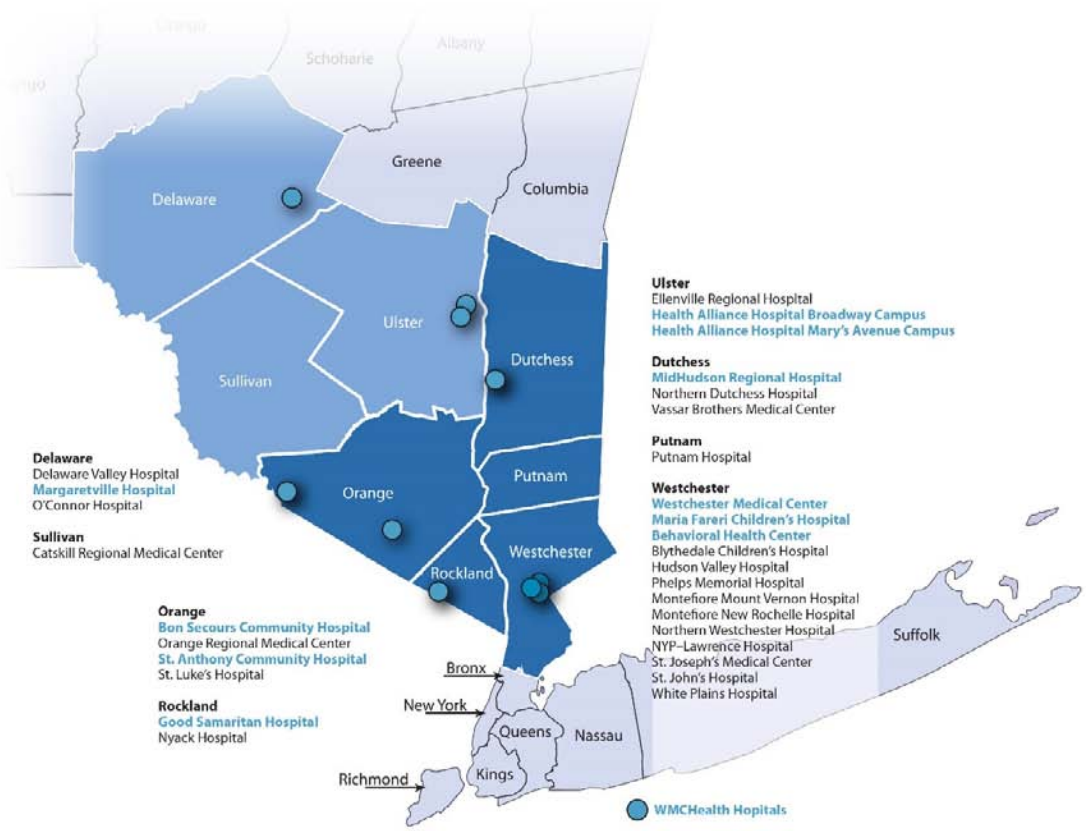
Geographic-Origin of Inpatients

The following chart sets forth the geographic origin of inpatients excluding newborns and neonates at WMC for the three years ending December 31.

County	2016	2017	2018
Westchester	10,230	9,962	9,631
Orange	2,080	2,068	2,074
Dutchess	1,568	1,737	1,921
Rockland	1,771	1,991	1,909
Ultster	618	732	946
Putnam	953	925	842
Sullivan	532	543	486
Delaware	12	29	26
Sub-total Primary Service Area	17,764	17,987	17,835
All Other	2,383	2,392	2,496
Total	**20,147**	**20,379**	**20,331**

Source: NYS DOH Statewide Planning and Research Cooperative System ("SPARCS")

The following map illustrates the WMC service areas, and the location of other New York State healthcare institutions within the region.



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Health Systems and Local Providers

The following table sets forth the health systems and major hospitals in WMC's service area, the number of discharges, excluding normal newborn and neonates from each for residents of WMC's service areas for the year ended December 31, 2018 and the corresponding market share. Overall market demand (discharges) and health system market share over the last three years has been relatively stable.

2018 Discharges and Market Share by Health System for Eight County Hudson Valley Service Area

Health System	2018 Discharges	Market Share
Montefiore	60,280	25.8%
WMCHealth	48,661	20.8%
Nuvance	30,438	13.0%
New York Presbyterian	27,481	11.8%
Garnet Health	24,843	10.6%
Northwell	16,446	7.0%
St. Josephs	5,184	2.2%
Other NY Hospitals	4,808	2.1%
Mt. Sinai Health System	4,229	1.8%
Sloan Kettering	2,581	1.1%
Bassett Healthcare Network	2,328	1.0%
NYU	2,020	0.9%
Albany Med	2,016	0.9%
All Other	2,510	1.1%
Total:	**233,825**	**100%**

Source: NYS DOH SPARCS

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2018 Discharges and Market Share by Hospital for Eight County Hudson Valley Service Area

Hospital	2018 Discharges	Market Share
Garnet Health Medical Center[(1)]	21,042	9.0%
Vassar Brothers Medical Center[(2)]	19,841	8.5%
Westchester Medical Center[(3)]	17,835	7.6%
White Plains Hospital Center[(4)]	14,465	6.2%
Good Samaritan Hospital of Suffern[(3)]	13,563	5.8%
Nyack Hospital[(4)]	10,227	4.4%
St. Lukes Cornwall Hospital/Newburgh[(4)]	9,632	4.1%
Northern Westchester Hospital[(5)]	7,805	3.3%
HealthAlliance Hospital (Broadway and Mary Ave Campus)[(3)]	7,750	3.3%
New York-Presbyterian Lawrence Hospital[(6)]	7,681	3.3%
New York-Presbyterian/Hudson Valley Hospital[(6)]	7,532	3.2%
SJRH – St. John's Division[(4)]	6,980	3.0%
Phelps Memorial Hospital Assn[(5)]	6,470	2.8%
New York Presbyterian Hospital – Columbia Presbyterian Center[(6)]	6,249	2.7%
Putnam Hospital Center[(2)]	5,848	2.5%
Montefiore New Rochelle Hospital[(4)]	5,203	2.2%
Mid-Hudson Valley Division of Westchester Medical Center[(3)]	5,180	2.2%
Northern Dutchess Hospital[(2)]	4,749	2.0%
Montefiore Medical Center – Henry & Lucy Moses Div[(4)]	4,665	2.0%
Bon Secours Community Hospital[(3)]	2,530	1.1%
St. Anthony Community Hospital[(3)]	1,655	0.7%
Margaretville Hospital[(3)]	148	0.1%
All Other Local Hospitals	20,109	8.6%
All Hospitals Outside the Regions	26,666	11.4%
Total	**233,825**	**100%**

Source: NYS DOH SPARCS
(1) formerly Orange Regional Medical Center, member of Garnet Health
(2) member of Nuvance Health, formerly HealthQuest
(3) member of WMCHealth
(4) member of Montefiore Health System
(5) member of Northwell Health
(6) member of New York-Presbyterian Healthcare System

Competition

The following table sets forth the major tertiary hospitals that are competitors of WMC in its service areas and the number of discharges of residents of the service area from each hospital for the year ended December 31, 2018.

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2018 Discharges and Market Share for Tertiary Hospital Discharges in the Eight County Hudson Valley

Tertiary Hospital	2018 Discharges	Market Share
Westchester Medical Center	17,835	41.3%
New York Presbyterian Hospital – Columbia Presbyterian Center	6,249	14.5%
Montefiore Medical Center	5,866	13.6%
Mount Sinai Hospital	3,200	7.4%
Memorial Sloan Kettering Cancer Center	2,581	6.0%
New York Presbyterian Hospital – New York Weill Cornell Center	2,065	4.8%
Hospital for Special Surgery	1,998	4.6%
Albany Medical Center Hospital	1,980	4.6%
NYU Hospital Center	1,407	3.3%
Total	**43,181**	**100%**

Source: NYS DOH SPARCS

UTILIZATION

The following sets forth utilization statistics, excluding routine nursery for each of the preceding three years and for the six months ended June 30, 2020 and June 30, 2019 for Westchester Medical Center, HealthAlliance and BSCHS.

	Westchester Medical Center (Valhalla) Years Ended December 31,			Six Months Ended June 30,	
	2017	2018	2019	2019	2020
Discharges	21,109	21,490	21,929	10,790	9,467
Patient Days	192,731	198,626	195,846	95,779	90,031
Average Length of Stay (in Days)	9.13	9.24	8.93	8.88	9.51
Average Daily Census	528	544	537	529	495
Average Beds Available	652	652	652	652	652
Percent of Occupancy	80.99%	83.46%	82.30%	81.16%	75.87%
Emergency Room Visits	47,324	50,068	52,370	26,051	21,533
Clinic Visits	49,589	49,368	49,536	25,257	16,881
Ambulatory Surgery Visits	10,449	10,681	11,969	5,746	4,089
Observation Visits	3,378	3,704	3,933	1,907	1,542

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	Mid-Hudson Regional Hospital Years Ended December 31,			Six Months Ended June 30,	
	2017	2018	2019	2019	2020
Discharges	6,075	6,007	6,120	3,010	2,920
Patient Days	43,626	43,948	43,786	21,975	22,105
Average Length of Stay (in Days)	7.18	7.32	7.15	7.30	7.57
Average Daily Census	120	120	120	121	121
Average Beds Available	220	220	220	220	228
Percent of Occupancy	54.33%	54.73%	54.53%	55.19%	53.27%
Emergency Room Visits	28,171	27,790	28,599	14,207	11,908
Ambulatory Surgery Visits	4,365	3,993	3,324	1,725	1,190
Observation Visits	621	640	752	359	304

	Combined Westchester Medical Center – Valhalla/MHRH Years Ended December 31,			Six Months Ended June 30,	
	2017	2018	2019	2019	2020
Discharges	27,184	27,497	28,049	13,800	12,387
Patient Days	236,357	242,574	239,632	117,754	112,136
Average Length of Stay (in Days)	8.69	8.82	8.54	8.53	9.05
Average Daily Census	648	665	657	651	616
Average Beds Available	872	872	872	872	880
Percent of Occupancy	74.26%	76.21%	75.29%	74.61%	70.01%
Emergency Room Visits	75,495	77,858	80,969	40,258	33,441
Clinic Visits	49,589	49,368	49,536	25,257	16,881
Ambulatory Surgery Visits	14,814	14,674	15,293	7,471	5,279
Observation Visits	3,999	4,344	4,685	2,266	1,846

	HealthAlliance Years Ended December 31,			Six Months Ended June 30,	
	2017	2018	2019	2019	2020
Discharges	9,785	8,746	8,933	4,477	3,096
Patient Days	52,185	49,138	46,892	22,784	17,310
Average Length of Stay (in Days)	5.33	5.62	5.25	5.09	5.59
Average Daily Census	143	135	128	126	95
Average Beds Available	315	315	315	315	228
Percent of Occupancy	45.39%	42.74%	40.78%	39.96%	30.19%
Emergency Room Visits	43,381	42,042	41,264	20,614	15,014
Clinic Visits	26,767	28,857	27,955	14,125	10,739
Ambulatory Surgery Visits	1,953	2,109	2,201	1,271	901
Observation Visits	1,619	1,826	1,552	825	555

	BSCHS Years Ended December 31,			Six Months Ended June 30,	
	2017	2018	2019	2019	2020
Discharges	19,889	21,103	20,295	10,140	9,044
Patient Days	92,471	96,708	91,525	46,458	41,632
Average Length of Stay (in Days)	4.65	4.58	4.51	4.58	4.60
Average Daily Census	253	265	251	257	229
Average Beds Available	468	468	468	468	468
Percent of Occupancy	54.13%	56.61%	53.58%	54.84%	48.88%
Emergency Room Visits	76,910	76,815	74,831	37,384	29,010
Ambulatory Surgery Visits	12,876	13,458	12,930	6,421	4,291
Observation Visits	2,276	2,486	2,797	1,467	814

PAYOR MIX

The major portion of revenues received by the Corporation is derived from third-party payors. For a more complete discussion of each payor, see "Reimbursement Methodologies" herein.

The following table illustrates the payor mix (adults and pediatrics) for WMC for years ended December 31 and the six months ended June 30, 2019 and June 30, 2020.

	Years Ended December 31,			Six Months Ended June 30,	
Payor	2017	2018	2019	2019	2020
Medicaid	37%	37%	37%	39%	37%
Medicare	30%	32%	32%	31%	32%
Blue Cross	11%	10%	10%	9%	10%
Commercial/Managed Care	18%	17%	17%	17%	17%
Worker's Comp/No Fault	3%	3%	3%	3%	3%
Self-Pay	1%	1%	1%	1%	1%
Total	100%	100%	100%	100%	100%

*Combined Valhalla Campus and Mid-Hudson

The following table illustrates the payor mix for the HealthAlliance for the years ended December 31 and the six months ended June 30, 2019 and June 30, 2020.

	HealthAlliance Years Ended December 31,			Six Months Ended June 30,	
Payor	2017	2018	2019	2019	2020
Medicaid	27%	29%	28%	24%	22%
Medicare	53%	54%	55%	58%	62%
Blue Cross	4%	5%	5%	5%	5%
Commercial/Managed Care	13%	10%	10%	10%	10%
Worker's Comp/No Fault	1%	1%	1%	1%	0%
Self-Pay	2%	1%	1%	2%	1%
Total	100%	100%	100%	100%	100%

The following table illustrates the payor mix for the Charity Hospitals for the years ended December 31 and the six months ended June 30, 2019 and June 30, 2020.

	BSCHS Years Ended December 31,			Six Months Ended June 30,	
Payor	**2017**	**2018**	**2019**	**2019**	**2020**
Medicaid	35%	38%	38%	40%	38%
Medicare	40%	39%	39%	38%	39%
Blue Cross	10%	9%	9%	8%	9%
Commercial/Managed Care	14%	13%	13%	13%	13%
Worker's Comp/No Fault	0%	0%	0%	0%	0%
Self-Pay	1%	1%	1%	1%	1%
Total	100%	100%	100%	100%	100%

Management's Discussion of Utilization

WMC's Valhalla Campus utilization statistics have remained consistent over the period shown. In particular, overall inpatient discharges were 21,490 in 2018 and were 21,929 in 2019. Acute adult patients discharges at the Main Hospital increased over the period. The Children's Hospital reached full capacity utilization in 2018 and has maintained operations at approximately 90% occupancy, even as additional beds were put into service.

2019 and 2018 Inpatient discharges increased over prior years though there were offsets due to cases being classified as Observation services of 4,685 and 4,344, in 2019 and 2018, respectively, on a consolidated basis.

The first six months of 2020 for Valhalla discharges decreased by 1,323 compared to the 2019 due exclusively to COVID-19.

The first six months of 2020 Mid-Hudson discharges decreased by 1,413 compared to the same period in 2019 due exclusively to COVID-19.

COVID-19 RESPONSE

Westchester County and Rockland County, both key service areas for WMCHealth, have experienced the highest number of COVID-19 cases per 1,000 of any county in New York State.

The COVID-19 pandemic required an unprecedented mobilization effort on the part of WMCHealth hospitals in order to appropriately care for COVID-19 patients while simultaneously ensuring the safety and well-being of its staff. This effort cut across all campuses within the WMCHealth Network and across virtually all departments and disciplines within each campus. This enabled a significantly high level of operational and clinical coordination that allowed WMCHealth to achieve meaningful access and high quality clinical outcomes for its patients.

Government Response & Timeline

State lockdown/cancellation of elective surgery

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic and on March 13, 2020, President Trump declared a national

emergency. On March 22, 2020, Governor Andrew Cuomo, via Executive Order 202.10, suspended all but essential surgeries and procedures within New York State and most outpatient services were curtailed. As a result, WMCHealth experienced a significant reduction in net patient service revenue and increases in costs for supplies and other expenses necessary to treat COVID-19 patients. In addition, like many other healthcare organizations, the market value of WMCHealth's investments was negatively impacted by the volatile financial markets.

The following table illustrates monthly operating revenue and utilization statistics for WMC for January, 2020 through June, 2020:

	January	February	March	April	May	June
Net patient revenues (in $000's)	$117,077	$110,401	$87,901	$50,220	$69,525	$122,400
Total inpatient census[(1)]	625.84	685.07	662.48	550.83	551.26	623.90
Total outpatient visits	4,258	4,234	2,441	1,935	1,972	3,051
Total emergency visits	7,673	6,783	5,788	3,730	4,380	5,024
Total surgery cases	2,117	1,904	1,404	525	935	1,972

(1) Total inpatient census = patient days (less NB) / total days of month.

Stimulus bill

On March 28, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was passed. To date, WMCHealth has received advances of approximately $180.3 million from the Centers of Medicare and Medicaid Services under its Accelerated Payment Program. In addition, WMCHealth received stimulus grants of approximately $291.0 million from the Federal Government and an approximate employee retention tax credit of $4.8 million.

The following table illustrates the form and amount (in thousands) of government support received by WMCHealth due to COVID-19 as of July 31 2020:

	WMC	HealthAlliance	Corporation Total	BSCHS	WMCHealth Total
Medicare Advances	$94,308	$24,110	$118,418	$61,853	$180,271
Stimulus Grants	180,278	20,818	201,096	89,975	291,071
Employee Retention Tax	2,365	557	2,922	1,880	4,802
TOTAL	**$276,951**	**$45,485**	**$322,436**	**$153,708**	**$476,144**

As of June 30, 2020, the Corporation (WMC and HealthAlliance) had received $89,573 of stimulus grants and $2,922 of tax credits related to the CARES Act, recognizing $91,837 of these grants in Non-operating Revenue for fiscal year ended June 30, 2020. In July, the Corporation recognized an additional $77.7 million of stimulus grant revenue received in July. The additional $77.7M of stimulus grants are illustrated in the pro forma June 30, 2020 financials described below.

Organization's response

Adjustments in staffing/furloughs

Throughout the COVID-19 pandemic, WMC was able to avoid furloughs. At the onset of the pandemic, the WMC's clinical leadership team implemented a team based care model to ensure the appropriate clinical care teams were deployed to COVID-19 and non-COVID-19 units, and that team

members were cross trained to provide optimal patient care. The implementation of this model ensured that provider staffing was maximized through: (i) staff reassignment and nurse cross training for the ICU coverage and other units throughout the hospitals; (ii) deployment of additional physician residents and; (iii) re-activating former bedside clinical staff from other areas of the organization. Such steps allowed the hospitals to sufficiently staff up to accommodate the influx of COVID-19 patients while avoiding the need to furlough any staff.

Additional staff adjustments included the deployment of work-from-home processes for appropriate non-clinical, non-essential staff. Non-clinical, non-essential staff who could not work from home were redeployed into newly defined roles to support COVID-19 operations. These roles included emergency department greeters, entryway temperature screening, and the call center employees.

Surge preparation

As the COVID-19 pandemic was initially identified, WMCHealth's leadership and emergency management teams were engaged to begin planning for various options the organization would need to consider to prepare for this event.

Starting in January, 2020 with the emerging COVID-19 threat, WMCHealth began updating its pandemic response plans and conducted initial planning for additional bed and ICU capacity, if needed.

In February, 2020, WMCHealth developed internal tracking tools and dashboards to support the configuration of supply chain tracking and bed surge capacity. In addition, the organization began to increase supplies and equipment.

In March, 2020, WMC started taking clinical and operational steps to address a COVID-19 surge, including developing dedicated deployment areas within the hospital, redeveloping the emergency department workflow, identifying rooms capable for negative and neutral pressure, expanding internal telehealth capabilities and began internal communication with leadership and external communication with partners. By mid-March, 2020, COVID-19 patients were presenting to WMC. WMCHealth hospitals developed the ability to test on site, and launched external testing tents operations. To manage patient safety and flow separate from the emergency department, WMC developed a COVID-19 screening process through an external testing tent in March, 2020. This tent was established on March 17, 2020, which was one of the first testing tents in Westchester County.

In anticipation of medical/surgical and ICU bed needs for COVID-19 positive and/or suspected patients, WMC developed dedicated COVID-19 units within the existing hospital. Ultimately, through the use of additional space within the hospital, WMC was able to increase its existing bed capacity by 50%.

Prior to the COVID-19 pandemic, WMC had 10 ICUs with a total of 83 beds. During the pandemic the organization expanded ICU capacity by developing 6 additional ICU units, for a total of 16 units. These ICUs were each designated to care for either COVID-19 or non-COVID-19 patients exclusively. At maximum capacity, WMC developed the ability to provide 153 COVID-19 ICU beds, 89 COVID-19 beds, and 36 non-COVID-19 ICU beds.

Supply chain approach/efforts

At the onset of the COVID-19 pandemic, WMCHealth had a sufficient equipment stockpile in place and was able to supply most needed supplies with minimal service disruptions. To prepare and manage for expected equipment and personal protective equipment ("PPE") shortage, WMC implemented internal strategies to maximize supply utilization, while continuing to adhere to local and federal guidance. In

addition, WMCHealth supply chain staff adopted appropriate substitution of supplies and portable equipment as needed.

During the initial increase of COVID-19 patients locally, WMCHealth began to procure required PPE to support ongoing care and safety for staff and patients. Once these supplies were received, WMCHealth was able to meet the New York State Department of Health ("DOH") guidance to have seven days' supply on hand. On any occasion where one site may have fallen below seven days on hand, there was supply at another network site to be utilized, as needed. These supplies included: face masks, visors, glasses/goggles, and gowns.

To help in more closely monitoring supplies and overall operational performance, WMCHealth created a COVID-19 clinical and operational dashboard which was a centralized online tool to monitor key clinical and operational metrics and trends on a daily basis. Operationally, the dashboard tracked supply levels for critical equipment, including all forms of PPE and ventilators.

Reactivation plan

By late May, 2020, the number of COVID-19 patients at WMC had been greatly reduced and most patient care units had been returned to their original state. Specific reactivation steps included: (i) the transitioning of bed units, whereby COVID-19 ICUs have returned to non-COVID-19 units, and other areas utilized for surge beds have been returned to their intended usage; (ii) the ramp down of the call center with the transition to a provider hotline; (iii) the resumption of elective surgeries. WMC received approval to resume elective surgeries on May 16, 2020; and (iv) redeployed COVID-19 staff were transitioned back to their original roles.

Throughout the pandemic, WMC leaders identified process changes that could continue to improve organizational performance and future emergency preparedness as the initial COVID-19 surge subsided. These key takeaways include:

- The development of a comprehensive "How To Guide" for cross training clinical staff that would be deployed to bedside care and/or ICU care;
- The restructuring of nursing leadership roles to support streamlining coordination of care;
- The deployment of nursing on-call from "at-home" call to "on-site" call permanently;
- The development of a COVID-19 data warehouse as a central repository for all elements of COVID-19 clinical data to be used for internal tracking and trend analysis;
- The development and roll-out of a pilot outreach program which identified COVID-19 screening/testing patients who reported no primary care provider and initiated direct outreach to provide access to a WMCHealth Physicians primary care provider (via email and mail);
- The ability to transform the COVID-19 screening/testing call center hotline (which has handled in excess of 100,000 inbound COVID-19 related calls, to date) into a permanent call center for WMCHealth Physicians – initial goal to develop new patient hotline for WMC Advanced Physician Services;
- The initiation and execution of a permanent change in supplies and inventory management to maintain a larger stockpile of supply (through this arrangement, WMC purchases expected supplies from its vendor, who maintains the supply at its offsite location);
- The development of a permanent bed surge capacity plan to be used as the contingency plan for any future such events;
- The review of a policy/process to conduct fit-testing for all staff (pending review);
- The ability to maintain sufficient capability to conduct regular testing for COVID-19 through screening tent while resuming normal operations within the hospital (WMCHealth has administered in excess of 45,000 diagnostic tests and 16,000 anti-body tests, to date);

- The assessment and development of increased supplies of essential equipment, i.e.- masks, medications, feeding tubes, etc.; and
- The development of a dedicated telehealth platform for physician office virtual visits.

Telehealth

WMCHealth leveraged its existing telehealth network and infrastructure to expand and enhance care between hospitals while helping to protect staff by limiting staff exposure to patients. A series of initiatives were implemented that included: (i) all Emergency Rooms across the network were equipped with telehealth technology that created redundancy for providers on the frontline such as Emergency Room personnel, as well as much needed specialists such as neurologists, psychiatrist and trauma surgeons; (ii) development of central tele-hospitalist service to expand clinical support within patient units, the laboratory, diagnostic imaging, medical records and care transition planning; (iii) every network ICU bed was monitored through telehealth by board-certified intensivists that performed continuous ventilator management to help reduce mortality and length-of-stay; (iv) the eHealth Center provided consults across the network for services in highest demand and, when necessary, and coordinated and identified transfers across the network of certain tele-health patients who needed a higher level of care, which services included ICU, psychiatrics, emergency medicine, neurosciences, and e-Sitter patient monitoring; (v) deployment of physician office telehealth capabilities to allow for virtual visits.

WMCHealth and its patients realized significant value through these initiatives, including:

- Increased patient safety and care standardization in times of high provider strain
- Performance of clinical workload balancing functions for the bedside teams reducing provider exposure(s)
- Rapid adaptation to changing conditions
- Mechanism for effective and standardized communication patterns between a number of different teams

Testing capabilities

WMCHealth was able to rapidly begin offering COVID-19 testing as part of its efforts to address the pandemic. WMCHealth created a centralized call center to manage scheduling for COVID-19 testing, both diagnostic and antibody testing, and the dissemination of results. Testing was performed in testing tents erected at each WMCHealth campus. Staff members from various physician practice locations were redeployed into the call center to prevent any furloughing of staff or additional hires required to operationalize the call center. The call center was launched on March 14, 2020 for staff appointments only; it was rapidly expanded and opened to the public in early April 2020.

Additionally, in collaboration with Westchester County, WMC opened, managed and staffed a non-hospital based COVID-19 diagnostic testing and antibody testing site at the Westchester County Convention Center which began as a site for first responders and opened to the public on May 18, 2020.

As of late June 2020, the call center's total number of fielded calls was over 95,500 across all campuses, approximately 17,000 antibody tests conducted, and over 58,000 COVID-19 tests conducted. At this time the call center is still in operation for COVID-19 testing, antibody testing and pre-operative testing, with a total of 12 call stations.

FINANCIAL HISTORY OF THE CORPORATION

Transfer of Operations from the County

Lease Agreement

Upon the transfer of WMC to the Corporation, in 1997, the County and the Corporation also entered into a Lease Agreement (the "Lease Agreement") pursuant to which the Corporation leases from the County approximately 87 acres of real property, upon which the health care facilities of WMC are located. Under the Lease Agreement, the Corporation granted a lien to the County on all property owned by the Corporation. The Lease Agreement expires in December 31, 2057, subject to the Corporation's right to extend the term of the Lease Agreement for three additional terms of 10 years each and one additional term of 5 years.

The Corporation's obligation to pay rent to the County is based upon a formula established in the Lease Agreement of market rent multiplied by the Consumer Price Index. The Corporation may be obligated to pay the County market rent for the leased facilities, however, the value of any equipment used primarily for care, treatment or diagnosis of disease or injury or the relief of pain and suffering of sick or injured persons is not included in the computation of market rent if inclusion would materially increase the market rent. If the sum of the Corporation's retained earnings/net assets and the market rent is less than $8 million and certain other conditions are met, rent may be abated in its entirety under certain circumstances. No rent has been required to be paid to the County to date. The Corporation does not expect rent to be due in 2020.

Mortgage

The Lease Agreement permits the Corporation, under certain circumstances, to assign, mortgage, and pledge or otherwise encumber such leasehold interest. The Series 2020 Bonds will be secured by such a mortgage (the "Mortgage") on the Corporation's leasehold interest under the Lease Agreement, as are bonds secured by Obligations under the Master Indenture. Any proceeds realized from such Mortgage will be applied proportionately to all obligations issued under the Master Indenture, including the Outstanding Senior Bonds (as defined below under "Outstanding Indebtedness").

The Mortgage permits the Corporation, under certain circumstances, to obtain a release of a portion of the mortgaged property without bondholder consent, other than the improvements constituting the health care facilities of WMC, from the lien of the Mortgage. The Master Indenture provides that the Corporation will not permit the existence of any Lien on Property owned or acquired by it other than the Mortgage and Permitted Liens.

Outstanding Indebtedness

At December 31, 2019, the Corporation had $641,743,190 of indebtedness outstanding evidenced by obligations under the Master Indenture. That amount consists of (i) $108,170,000 aggregate principal amount of the Corporation's Revenue Bonds, Series 2000A Senior Lien; (ii) $37,390,000 aggregate principal amount of the Corporation's Revenue Bonds, Series 2010A (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (iii) $13,075,000 aggregate principal amount of Revenue Bonds, Series 2010B (Tax Exempt) – Senior Lien: (iv) $31,450,000 aggregate principal amount of Revenue Bonds, Series 2010C-1 (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (v) $3,615,000 aggregate principal amount of Revenue Bonds, Series 2010C-2 (Tax Exempt) Senior Lien; (vi) $57,280,000 aggregate principal amount of Revenue Bonds, Series 2010D (Taxable) – Senior Lien, (vii) $47,275,000 aggregate principal amount of Revenue Bonds, Series 2011A (Tax-Exempt) – Senior Lien, (viii) $15,295,000 aggregate principal amount of Revenue Bonds Series 2011B (Tax-Exempt) –

Senior Lien, (ix) $25,077,000 aggregate principal amount of Revenue Bonds, Series 2014A (Taxable) – Senior Lien, (x) $18,051,847 Dutchess County Local Development Corporation Revenue Bonds Series 2015A (Tax-Exempt) (xi) $4,254,343 Dutchess County Local Development Corporation Revenue Bonds Series 2015B (Taxable), and (xii) $280,810,000 Westchester County Local Development Corporation Revenue Bonds, Series2016 (Tax-Exempt).

In addition to the outstanding bond indebtedness identified above, at December 31, 2019 the Corporation had (i) equipment lease obligations of $44.6 million, (ii) $1.5 million note payable to the Board of Education of the Spackenkill Union Free School District, (iii) a bank line of credit of $70 million (no outstanding amount), and (iv) guaranteed the annual debt service on $122.3 million of BSCHS bonds. Subsequent to December 31, 2019, the Corporation secured an additional bank line of credit in the amount of $70 million. As of June 30, 2020, both bank lines of credit have been fully drawn upon in the aggregate amount of $140 million.

The Series 2000A, 2010C-2, 2010D, 2011A and 2011B Bonds are to be refunded in whole with a portion of the proceeds of the Series 2020 Bonds or other available funds.

The proceeds of Outstanding Senior Bonds were used to provide a source of funding for a variety of capital projects.

At December 31, 2019, HealthAlliance had (i) $21.6 million in Dormitory Authority of the State of New York loans, (ii) $3.2 million in mortgages payable, (iii) $1.1 million of Ulster County Industrial Development Agency Series 2006A Revenue Bonds, (iv) $153,000 in Ulster County Industrial Development Agency Series 2010A Revenue Bonds, (v) $279,000 promissory note payable and (vi) $3.7 million in equipment lease obligations. The Corporation is not obligated for the repayment or guaranty of any of the HealthAlliance indebtedness.

Summary of Historical Financial Information

The following summary of Historical Statement of Net Position at December 31, 2017, 2018 and 2019 and the Revenues, Expenses and Changes in Net Position of the Corporation for the years then ended have been derived from the audited financial statements of the Corporation and includes the results of WMC and related entities and HealthAlliance, Inc. The Summary Statement of Net Position as of June 30, 2019 and 2020 and Revenues, Expenses and Changes in Net Position for the period then ended have been derived from the internal unaudited financial statements of the Corporation and HealthAlliance, Inc. and include all adjustments which management considers necessary for the fair presentation of the financial information as of and for the period. Financial results for the period ended June 30, 2020 are not necessarily indicative of results for the full year ending December 31, 2020. Appendix B contains the Corporation's and its subsidiaries' and HealthAlliance, Inc. audited financial statements for the years ended December 31, 2018 and 2019 with Supplemental Schedule for combining information. The summary of financial information that follows should be read in conjunction with the audited financial statements (Appendix B – Basic Financial Statements and Supplementary Schedules) and Management's Discussion of Operations. The Corporation's earlier financial statements can be found on the Corporation's website www.westchestermedicalcenter.com.

The "Pro-Forma as of and for the Six Months Ended June 30 column" in the following table does not reflect the issuance of the Series 2020 Bonds. Rather, this column reflects certain government stimulus funds received and recorded in July 2020 as if they had been received and recorded in June 2020. See the corresponding footnote for more information with regard to WMC's accounting and financial reporting concerning these funds.

Summary Statement of Net Position

(dollars in thousands)	As of December 31, (audited)			As of June 30, (unaudited)		Pro Forma As of June 30, (unaudited)
	2017	2018	2019	2019	2020	2020[1]
Cash and cash equivalents	$143,798	$112,132	96,538	$100,929	$393,598	$ 393,598
Investments	126,021	128,217	142,439	141,206	145,358	145,358
Other current assets	247,326	354,925	354,704	323,948	263,331	374,854
Long term assets	726,807	707,782	862,276	777,740	998,625	998,625
Total assets	**1,243,952**	**1,303,056**	**1,455,957**	**1,343,823**	**1,800,912**	**1,912,435**
Total deferred outflows of resources	72,315	103,741	58,385	103,501	58,145	58,145
Current liabilities	323,106	395,078	472,226	435,242	672,787	706,626
Long-term liabilities	1,288,120	1,232,776	1,321,294	1,249,969	1,553,117	1,553,117
Total liabilities	**1,611,226**	**1,627,854**	**1,793,520**	**1,685,211**	**2,225,904**	**2,259,743**
Total deferred inflows of resources	15,356	99,326	28,670	99,326	36,948	36,948
Net Position	$ (310,315)	$ (320,383)	$ (307,848)	$ (337,213)	$ (403,795)	$ (326,111)

(1) WMC's accounting and financial reporting is governed by accounting standards established by the Government Accounting Standards Board ("GASB"). GASB requires that voluntary non-exchange transactions be recorded when (i) cash is received and (ii) all eligibility requirements met in order to record the Government Grant income. In July 2020, WMC received additional Stimulus Grants through the Provider Relief Fund. In accordance with GASB, WMC has recorded approximately $77.7 million of additional Government Grants revenue (non-operating) as well as an increase in Other Current Assets to reflect the cash received in July 2020. The pro forma June 30, 2020 Financial Statements reflect this non-exchange transaction as if it occurred in June 2020.

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Summary of Revenues, Expenses and Changes in Net Position

(dollars in thousands)	Years Ended December 31, (audited)			As of June 30, (unaudited)		Pro Forma As of June 30, (unaudited)
	2017	2018	2019	2019	2020	2020[1]
Operating revenue						
Net patient service revenue	$1,435,287	$1,514,835	$1,586,830	$765,324	$647,476	$647,476
Other revenue	116,149	127,054	132,144	54,601	51,191	51,191
Total operating revenue	**1,551,436**	**1,641,889**	**1,718,974**	**819,925**	**698,667**	**698,667**
Operating expenses						
Salaries and benefits	890,921	944,640	999,674	486,005	519,487	519,487
Supplies and other expenses	618,140	624,932	634,972	316,391	306,542	306,542
Depreciation and amortization	69,514	66,445	69,220	34,198	45,063	45,063
Total operating expenses	**1,578,575**	**1,636,017**	**1,703,866**	**836,594**	**871,092**	**871,092**
Operating (loss) income	(27,139)	5,872	15,108	(16,669)	(172,425)	(172,425)
Non-operating income (expense)						
Government Grants	-	-	-	-	91,837	169,521
Other activities net	(14,035)	(15,940)	(11,217)	(161)	(17,487)	(17,487)
Total non-operating	**(14,035)**	**(15,940)**	**(11,217)**	**(161)**	**74,350**	**152,034**
(Decrease) increase in net position before other changes	(41,174)	(10,068)	3,891	(16,830)	(98,075)	(20,391)
NYS Capital Restructuring Grant	-	-	8,644	-	2,128	2,128
(Decrease) increase in net position	(41,174)	(10,068)	12,535	(16,830)	(95,947)	(18,263)
Beginning net position	(269,141)	(310,315)	(320,383)	(320,383)	(307,848)	(307,848)
Ending net position	$(310,315)	$(320,383)	$(307,848)	$(337,213)	$(403,795)	$(326,111)

(1) WMC's accounting and financial reporting is governed by accounting standards established by the Government Accounting Standards Board ("GASB"). GASB requires that voluntary non-exchange transactions be recorded when (i) cash is received and (ii) all eligibility requirements met in order to record the Government Grant income. In July 2020, WMC received additional Stimulus Grants through the Provider Relief Fund. In accordance with GASB, WMC has recorded approximately $77.7 million of additional Government Grants revenue (non-operating) as well as an increase in Other Current Assets to reflect the cash received in July 2020. The pro forma June 30, 2020 Financial Statements reflect this non-exchange transaction as if it occurred in June 2020.

Although the Corporation's financial statements include the related entities of HealthAlliance, the Corporation is the only Member of the Obligated Group. HealthAlliance amounts, included in the above summary, are attributable as follows:

(dollars in thousands)						
Operating revenue	$193,300	$189,800	$210,800	$94,700	$85,500	$85,500
(Decrease) increase in net position	$(8,300)	$(14,800)	$1,400	$(11,300)	$(10,000)	$(5,300)

Liquidity

The table below sets forth the cash and cash equivalents and the days cash on hand for the Corporation for the years ended December 31, 2017, 2018, and 2019 and the six months ended June 30, 2019 and 2020.

	Years Ended December 31,			Six Months Ended June 30,		Pro Forma Six Months Ended June 30,
	2017	2018	2019	2019	2020[1]	2020[2]
Cash, Cash Equivalents and Investments (Millions)	$269.8	$240.3	$239.0	$242.1	$539.0	$650.5
Days' Cash on Hand[3]	65.3	55.9	53.4	54.9	118.7	143.4

(1) Includes draws on a line of credit totaling $140.0 million, Medicare Advance payments totaling $118.4 million and other stimulus grants received as part of the CARES Act totaling $89.6 million.

(2) Amounts for the six months ended June 30, 2020 adjusted to include other stimulus grants received in July 2020 as part of the CARES Act totaling $111.5 million. The $111.5 million is included in Other Current Assets in the table herein titled "Summary Statement of Net Position" in the Pro Forma as of June 30, 2020 column.

(3) Calculated by dividing the total cash, cash equivalents and investments by daily cash expenses (the Corporation's total operating expenses less depreciation and amortization divided by 365, 366, 212 or 213 as applicable).

WMC's long term investments, such as the board designated funds, are allocated among a variety of funds as permitted by WMCHealth investment policy. See "INVESTMENTS" herein.

Historical Debt Service Coverage

The following table sets forth the historical debt service coverage ratios, calculated pursuant to the Master Indenture, which includes only the Obligated Group, for the years ended December 31, 2017, 2018 and 2019 based on the audited financial statements. For the 12 months ended June 30, 2019 and 2020 (consisting of 6 months of the current year and 6 months of the prior year), the debt service coverage ratio is calculated based on unaudited interim financial statements. The Pro-Forma Twelve Months Ended June 30 information in the following table does not reflect the issuance of the Series 2020 Bonds, rather, it reflects additional stimulus grant revenue recorded in July 2020 as part of the CARES Act of $73.0 million.

(dollars in thousands)	Years Ended December 31,			Twelve Months Ended June 30,		Pro Forma Twelve Months Ended June 30,
Funds Available for Debt Service:	2017	2018	2019	2019	2020	2020
Income from operations	$(8,803)	$50,567	$54,553	$36,045	$7,070	$80,070
Depreciation and amortization	62,159	59,222	62,240	60,286	66,622	66,622
Interest expense	24,146	24,222	28,760	24,164	32,893	32,893
Total Funds Available for Debt Service	$77,502	$134,011	145,553	$120,495	$106,585	$179,585
Total Maximum Annual Debt Service Requirements	$53,510	$54,671	$59,245	$56,820	$60,129	$60,129
Coverage Ratio	1.45x	2.45x	2.46x	2.12x	1.77x	2.99x

Note: The above table reflects amounts from WMC's operations only and not amounts derived from all entities as presented in the audited financial statements; MADS calculated per Master Indenture; floating rate debt assumes 10 year average of 1 month LIBOR + 75 basis points at the inception of the debt; includes Build America Bonds subsidy.

Management's Discussion of Operations

Six-Months Ended June 30, 2020 and 2019

The results for the six months ended June 30, 2020 and 2019 represent the unaudited results of the Corporation, which includes WMC (both campuses) and related entities and HealthAlliance, Inc.

For the six months ended June 30, 2020 and 2019, the Corporation generated Operating losses of approximately $(172.4) million and $(16.7) million, respectively, and non-operating activities net of $74.4 million and $(0.1) million, respectively.

Operating revenues totaled $698.7 million and $819.9 million for the six months ended June 30, 2020 and 2019, respectively, which was a decrease of $121.2 million (14.8%) due to reduced volume as a result of COVID-19. *See* table titled "Summary of Revenues, Expenses and Changes in Net Position" herein.

Operating Expenses totaled $871.1 million and $836.6 million for the six months ended June 30, 2020 and 2019, respectively, representing an increase of $34.5 million (4.1%). Salaries and benefits increased by a combined $33.5 million, primarily due to new physician and related support staff, and supplies and other decreased by $9.8 million primarily due to reduced volume as a result of COVID-19, and depreciation expense increased by $10.8 million primarily due to Governmental Accounting Standards Board (GASB) Statement No. 87 Leases, which was adopted by the Corporation effective January 1, 2020.

Cash and cash equivalents totaled $393.6 million and $100.9 million on June 30, 2020 and 2019, respectively. June 30, 2020 includes draws on lines of credits of $140.0 million.

Years Ended December 31, 2019 and 2018

The results for the years ended December 31, 2019 and 2018 represent the audited results of the Corporation, which includes WMC (both campuses) and related entities and HealthAlliance, Inc.

For the years ended December 31, 2019 and 2018, the Corporation generated Operating income of approximately $15.1 million and $5.9 million, respectively, and non-operating activities, net of $(11.2) million and $(15.9) million, respectively.

The net position deficit decreased from ($320.4) million to ($307.8) million, primarily as a result of the net income generated in 2019.

Operating revenues totaled $1,719.0 million and $1,641.9 million in 2019 and 2018, respectively, which was an increase of $77.1 million (4.7%). The increases are the results of increases in volume, rates and revenue cycle initiatives.

Operating expenses totaled $1,703.9 million and $1,636.0 million in 2019 and 2018, respectively, representing an increase of $67.9 million (4.1%). Salaries and benefits increased by a combined $55.0 million primarily due to salaries related to new physicians and related support staff and contractual salary increases, and supplies and other increased by $10.0 million.

Cash and cash equivalents totaled $96.5 million and $112.1 million on December 31, 2019 and 2018, respectively. The reduction in cash was primarily as a result of capital purchases and other statement of net position changes.

Years Ended December 31, 2018 and 2017

The results for the years ended December 31, 2018 and 2017 represent the audited results of the Corporation, which includes WMC (both campuses) and related entities and HealthAlliance, Inc.

For the years ended December 31, 2018 and 2017, the Corporation generated Operating income of $5.9 million and losses of approximately $(27.1) million, respectively, and non-operating activities, net of $(15.9) million and $(14.0) million, respectively.

The Net Position decreased from $(310.3) million to ($320.4) million, primarily as a result of the net loss generated in 2018.

Operating revenues totaled $1,641.9 million and $1,551.4 million in 2018 and 2017, respectively, which was an increase of $90.5 million (5.8 %). The increases are the results of increases in volume, rates and revenue cycle initiatives.

Operating Expenses totaled $1,636.0 million and $1,578.6 million in 2017 and 2016, respectively, representing an increase of $57.4 million (3.6%). Salaries and benefits increased by a combined $53.7 million primarily due to salaries related to new physicians and related support staff, and supplies and other increased by $6.8 million.

Cash and cash equivalents totaled $112.1 million and $143.8 million on December 31, 2018 and 2017, respectively. The reduction in cash was primarily due to HealthAlliance operating losses, capital purchases and other balance sheet changes.

Investments

The Corporation maintains two separate investment portfolios managed by two different investment management firms. As of June 30, 2020, the combined balance of the portfolios was $160.9 million, of which $48.7 million was invested in equities with the balance invested primarily in fixed income securities.

CORPORATE COMPLIANCE

The Corporation has a robust, comprehensive Corporate Compliance Program in accordance with all applicable legal and regulatory requirements and industry practices and standards, which operates under the Corporation's Corporate Compliance Officer. There also is a senior management level Corporate Compliance Committee. Consistent with such requirements, the Corporation's Board of Directors has approved a written code of conduct ("Code of Conduct") that serves as a guide and directs the behavior of employees, physicians and the Board of Directors. All employees and non-employed individuals providing services to and on behalf of the Corporation (including the Board of Directors, senior management, department heads and other managers, secretarial and clerical staff, non-physician professional staff, and physicians) are trained and educated regarding the Code of Conduct and associated performance standards, including the Federal and State False Claims Acts. There is an anonymous hotline for reporting violations of the Code of Conduct. The Compliance Program monitors compliance and ensures continued adherence to the Code of Conduct on an ongoing basis.

PROPERTY, CASUALTY, PROFESSIONAL AND GENERAL LIABILITY INSURANCE PROGRAM

The Corporation carries an all-risk property insurance policy on its buildings and contents, including fire and allied lines, business interruption, and boiler and machinery all written on a replacement

cost basis. The Corporation also carries commercial crime/fidelity insurance, directors and officer's liability insurance and employed lawyers' errors and omissions coverage and commercial automobile liability and physical damage insurance for owned and leased vehicles.

With respects to the Valhalla Campus operations, the Corporation is qualified to self-insure statutorily required workers' compensation insurance. The excess Workers' Compensation/Employers Liability policy is a "specific excess" only policy. Since July 1, 2008, WMC has a current self-insured retention of $750,000 per occurrence, renewed annually. Since July 1, 2009, the excess policy has "cash-flow" protection. In addition, WMC currently has "terrorism" coverage under the excess policy. With respect to MidHudson Regional Hospital, Mid-Hudson Valley Staffco, LLC is qualified to self-insure statutorily required workers' compensation insurance.

The Corporation maintains hospital/physician professional liability and commercial general liability insurance, funded in part by WCHCC Bermuda, a wholly owned captive of WMC-New York, Inc. The hospital professional liability insurance is funded through WCHCC Bermuda for a primary limit of $12 million for each incident. Only those physicians employed by WMC and WMC Advanced Physician Services are entitled to insurance provided through WCHCC Bermuda.

General liability insurance is also funded through WCHCC Bermuda for a primary limit of $1 million per occurrence and $2 million in the aggregate.

The Corporation also carries an excess/umbrella liability policy with an aggregate limit of $53 million that provides excess coverage for general liability, hospital professional liability, auto liability, and employer's liability. This policy attaches above the aforementioned general liability limits for the Corporation as well as above a $12 million each claim self-insured retention for hospital professional liability for the hospital and for those physicians employed by WMC and WMC Advanced Physicians Services.

With respects to the operations of the MidHudson campus, effective May 9, 2014, the Corporation added those operations to the Corporation's insurance policies as appropriate as well as where necessary, purchased separate annual primary policies for the daycare/preschool and homecare operations. Additionally, effective May 9, 2014, with respects to Workers' Compensation, the Corporation purchased an annual insurance policy for Mid-Hudson Valley Staffco with a deductible of $500,000 per accident.

In the opinion of management of the Corporation, based on their prior experience, all potential losses attributable to professional liability are fully and adequately funded or insured. To date, no loss has exceeded insurance coverage.

LITIGATION

Professional and general liability claims have been asserted against the Corporation by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by counsel to the Corporation or by the respective insurance companies handling such matters. Certain incidents may result in the assertion of additional claims and such other claims may be included in current complaints. It is the opinion of the management of the Corporation, based on prior experience, that adequate funding and insurance is maintained to provide for any significant professional or general liability losses which may arise.

Funding for primary professional and general liability has been set aside in WCHCC Bermuda based upon actuarial analysis. Management believes that any payments from those sources will not have a material adverse effect on the financial position of the Corporation or on its ability to make required debt

service payments. The Corporation has no other professional liability or general liability litigation or proceedings or, to management's knowledge, threatened litigation against it that would materially adversely affect its operations or financial condition.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF WESTCHESTER COUNTY HEALTH CARE CORPORATION

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Basic Financial Statements, Supplementary Schedules (with Management's Discussion and Analysis) and Report of Independent Certified Public Accountants

Westchester County Health Care Corporation

December 31, 2019 and 2018

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

GRANT THORNTON LLP
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Board of Directors
Westchester County Health Care Corporation

We have audited the accompanying financial statements of the business-type activities and discreetly presented component unit of Westchester County Health Care Corporation ("WCHCC"), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise WCHCC's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of WCHCC (Bermuda), Limited, a wholly owned subsidiary of WMC-New York, Inc., which is a blended component unit of WCHCC, which statements reflect total assets constituting $190,050,000 and $168,761,000 and total liabilities constituting $83,137,000 and $80,915,000 as of December 31, 2019 and 2018, respectively. We did not audit the financial statements of Hudson River West Insurance (Barbados) Limited, which is a wholly owned subsidiary of Bon Secours Charity Health System, Inc., and a blended component unit of WCHCC's discretely presented component unit, which statements reflect total assets constituting $28,977,000 and $20,856,000 and total liabilities constituting $23,063,000 and $19,572,000 as of December 31, 2019 and 2018, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for WCHCC (Bermuda), Limited and Hudson River West Insurance (Barbados) Limited, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities and discretely presented component unit of Westchester County Health Care Corporation as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and the required supplementary information on pages 50 through 52 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the America Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton LLP

New York, New York
April 2, 2020

Westchester County Health Care Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2019 and 2018

Overview

This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary schedules and supplementary information.

Management's Discussion and Analysis of the Westchester County Health Care Corporation's ("WCHCC") annual financial report presents WCHCC's financial performance during the years ended December 31, 2019, 2018 and 2017. The purpose is to provide an objective analysis of the financial activities of WCHCC based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements, which follow this section.

The basic financial statements (Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and the Notes to Financial Statements) present on a comparative basis the financial position of WCHCC at December 31, 2019, 2018 and 2017 and the changes in its financial position and cash flows for the years then ended. These financial statements report information about WCHCC using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of WCHCC's assets and liabilities. The Statement of Revenues, Expenses, and Changes in Net Position reflect the years' activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report WCHCC's net position (the difference between assets and liabilities) and how that has changed. Net position is one way to measure financial health or condition. The Statement of Cash Flows provides relevant information about the years' cash receipts and cash payments and classifies them as operating, noncapital financing, capital and related financing and investing activities. The Notes to Financial Statements explain information in the financial statements and provide more detailed data.

On May 19, 2015, Bon Secours Charity Health System, Inc. ("Charity"), Bon Secours Mercy Health Inc. ("BSMH"), and the Sisters of Charity of Saint Elizabeth ("SOC") entered into an affiliation agreement with WCHCC and WMC Health Network - Rockland, Inc. ("WMC – Rockland," a subsidiary of WCHCC), in which WMC - Rockland became the majority member of Charity, holding 60% of the economic interest in Charity and appointing 60% of the Charity Board of Directors. BSMH holds a 40% economic interest in Charity and, together with SOC, appoints 40% of the Charity Board of Directors.

On March 30, 2016, WCHCC entered into an Affiliation Agreement with HealthAlliance, Inc., ("HealthAlliance") and WMC Health Network - Ulster, Inc. ("WMC – Ulster," a subsidiary of WCHCC), in which WMC - Ulster became the sole member of HealthAlliance. On October 21, 2019, WCHCC became the sole member of HealthAlliance.

Management's Discussion and Analysis includes the activities of WCHCC and excludes the activities of Charity.

(amounts in thousands)

Financial Analysis
Summary of Assets, Liabilities, and Net Position
December 31, 2019, 2018, and 2017

	2019	2018	2017	2019-2018 Percentage Change
Assets				
Current assets	$ 593,681	$ 595,274	$ 517,145	(0.3)%
Capital assets, net	816,680	643,598	564,879	26.9
Other assets	45,596	64,184	161,928	(29.0)
Total assets	$ 1,455,957	$ 1,303,056	$ 1,243,952	11.7%
Deferred outflows of resources	$ 58,385	$ 103,741	$ 72,315	(43.7)%
Liabilities				
Current liabilities	$ 472,226	$ 395,078	$ 323,106	19.5%
Long-term portion of debt, net	710,293	707,945	713,167	0.3
Other long-term liabilities	611,001	524,831	574,953	16.4
Total liabilities	$ 1,793,520	$ 1,627,854	$ 1,611,226	10.2%
Deferred inflows of resources	$ 28,670	$ 99,326	$ 15,356	(71.1)%
Net position				
Restricted	$ 14,909	$ 13,525	$ 13,072	10.2%
Unrestricted	(322,757)	(333,908)	(323,387)	(3.3)%
Total net position	$ (307,848)	$ (320,383)	$ (310,315)	(3.9)%

(amounts in thousands)

Financial Analysis
Summary of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2019, 2018, and 2017

	2019	2018	2017	2019-2018 Percentage Change
Operating revenues				
Net patient service revenue	$ 1,586,830	$ 1,514,835	$ 1,435,287	4.8%
Other revenue	132,144	127,054	116,149	4.0
Total operating revenues	1,718,974	1,641,889	1,551,436	4.7
Operating expenses				
Salaries and benefits	942,177	891,433	827,559	5.7
Supplies and other expenses	634,972	624,932	618,140	1.6
Depreciation and amortization	69,220	66,445	69,514	4.2
Total operating expenses	1,646,369	1,582,810	1,515,213	4.0
Operating income before OPEB and pension expenses	72,605	59,079	36,223	22.9
Salaries and benefits - OPEB expenses	15,918	17,037	16,246	(6.6)
Salaries and benefits - NYS pension expense	32,113	32,115	32,116	(0.0)
Operating income (loss) before NYS pension adjustment	24,574	9,927	(12,139)	147.5
NYS pension adjustment	9,466	4,055	15,000	133.4
Operating income (loss)	15,108	5,872	(27,139)	157.3
Nonoperating activities, net				
Investment income	14,272	9,903	6,267	44.1
Unrealized gains (losses) on marketable securities, net	7,612	(7,944)	5,363	(195.8)
Interest expense	(33,513)	(27,370)	(27,454)	22.4
Other nonoperating activities, net	412	9,471	1,789	(95.6)
Total nonoperating activities, net	(11,217)	(15,940)	(14,035)	(29.6)
Income (loss) before other additions and deductions	3,891	(10,068)	(41,174)	(138.6)
Other additions				
NYS Capital Restructuring Financing Program Grant Award	8,644	-	-	-
Total other additions	8,644	-	-	-
Increase (decrease) in net position	12,535	(10,068)	(41,174)	(224.5)
Net position				
Beginning of year	(320,383)	(310,315)	(269,141)	3.2
End of year	$ (307,848)	$ (320,383)	$ (310,315)	(3.9)%

Overall Financial Position and Operations

WCHCC reported operating income of $15.1 million and $5.9 million and an operating loss of $27.1 million for the years ended December 31, 2019, 2018, and 2017, respectively. WCHCC's net position increased $12.5 million from December 31, 2018 to December 31, 2019 and decreased $10.1 million from December 31, 2017 to December 31, 2018.

Significant financial indicators are as follows:

	2019	2018	2017
Operating income (loss) (in millions)	$ 15.1	$ 5.9	$ (27.1)
Current ratio	1.3	1.5	1.6
Quick ratio	1.2	1.4	1.5
Days cash on hand	53.4	55.9	65.3

Analysis of Financial Position

In this section, WCHCC's management provides its analysis of December 31, 2019 financial amounts compared to December 31, 2018 financial amounts and, where appropriate, December 31, 2018 financial amounts compared to December 31, 2017 financial amounts.

Assets and Liabilities

Cash and Cash Equivalents

The cash position decreased $15.6 million at December 31, 2019 compared to December 31, 2018, primarily due to capital purchases and other statement of net position changes. The cash position decreased $31.7 million at December 31, 2018 compared to December 31, 2017, primarily due to HealthAlliance operating losses, capital purchases and other statement of net position changes.

Investments

Investments increased $14.2 million at December 31, 2019 compared to December 31, 2018, primarily due to purchases of new investments with available cash and favorable market performance. Investments increased $2.2 million at December 31, 2018 compared to December 31, 2017, primarily due to purchases of new investments with available cash, partially offset by an unfavorable market performance.

Patient Accounts Receivable, net

Patient accounts receivable reflected days outstanding of 48.4, 46.6, and 46.5 at December 31, 2019, 2018 and 2017, respectively. Days outstanding at December 31, 2019 compared to December 31, 2018 increased due to higher reimbursement rates and increased volume, and days outstanding at December 31, 2018 compared to December 31, 2017 were relatively consistent.

Other Current Assets

Other current assets increased $5.3 million from December 31, 2018 to December 31, 2019 due to an increase in other receivables and other statement of net position changes and increased $78.2 million from December 31, 2017 to December 31, 2018, primarily due to an increase in third party receivables.

Assets Restricted as to Use

Assets restricted as to use decreased $40.6 million from December 31, 2018 to December 31, 2019 and decreased $76.0 million from December 31, 2017 to December 31, 2018, primarily due to the release of construction funds used for the Ambulatory Care Pavilion ("ACP") project. The ACP project was placed in service during July 2019.

Other Assets, net

Other assets decreased $400,000 from December 31, 2018 to December 31, 2019 and decreased $2.9 million from December 31, 2017 to December 31, 2018 due to various statement of net position changes.

Capital Assets, net

Capital assets increased $173.1 million from December 31, 2018 to December 31, 2019 and capital assets increased $78.7 million from December 31, 2017 to December 31, 2018, primarily due to capital expenditures for the ACP, new electronic health record ("EHR") project, and other capital acquisitions net of depreciation and amortization.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses increased $25.2 million from December 31, 2018 to December 31, 2019 and $32.1 million from December 31, 2017 to December 31, 2018 due to timing of payments, and increased patient care supplies and other costs.

Accrued Salaries and Related Withholdings

Accrued salaries and related withholdings increased $6.8 million from December 31, 2018 to December 31, 2019 and increased $4.7 million from December 31, 2017 to December 31, 2018 due to increases in salaries and the timing of payrolls.

Current Portion of Other Long-Term Liabilities

Other current liabilities increased $42.1 million from December 31, 2018 to December 31, 2019, primarily due to increases in deferred payments for the EHR project and ACP project. Other current liabilities increased $35.8 million from December 31, 2017 to December 31, 2018, primarily due to deferred revenue and increase in other liabilities.

Long-Term Debt

Long-term debt increased $5.4 million from December 31, 2018 to December 31, 2019, due to new capital leases of $23.2 million and new debt of $10.0 million partially offset by principal payments and amortization of bond premiums and discounts of $27.8 million.

Long-term debt decreased $5.8 million from December 31, 2017 to December 31, 2018, due to principal payments and amortization of bond premiums and discounts of $24.4 million, partially offset by new capital leases of $16.0 million and new debt of $2.6 million.

Other Long-Term Liabilities

Other long-term liabilities increased $86.2 million from December 31, 2018 to December 31, 2019, due to increases of $33.6 million for the New York State ("NYS") pension liability, increases in deferred payments for the EHR project and capital purchases of $58.6 million, partially offset by $6.0 million via reduction in all other liabilities.

Other long-term liabilities decreased $50.1 million from December 31, 2017 to December 31, 2018, due to decreases of $51.2 million for the NYS pension liability offset by $1.1 million for all other activities.

Deferred Outflows and Inflows of Resources

Deferred Outflows

Deferred outflows decreased approximately $45.4 million from December 31, 2018 to December 31, 2019 primarily due to decreases in deferred pension outflows and increased $31.4 million from December 31, 2017 to December 31, 2018, due to increases in deferred pension outflows.

Deferred Inflows

Deferred inflows decreased $70.7 million from December 31, 2018 to December 31, 2019 due to deferred pension inflows of $73.1 million partially offset by deferred post-retirement inflows of $2.4 million and increased $84.0 million from December 31, 2017 to December 31, 2018, due to deferred pension inflows of $81.1 million and deferred post-retirement inflows of $2.9 million.

Revenues and Expenses

Net Patient Service Revenue

Net patient service revenue increased $72.0 million from 2018 to 2019, and $79.5 million from 2017 to 2018. The increases are the result of increases in volume, rates and revenue cycle initiatives.

Other Revenue

Other revenue increased $5.1 million from 2018 to 2019, primarily due to increases in Value Based Payment Quality Improvement Program ("VBP-QIP") revenue, partially offset by a decrease in income earned by the WMCHealth Performing Provider System ("WMCHealth PPS"), and increased $10.9 million from 2017 to 2018 primarily due to an increase in VBP-QIP funding and increases in other activities.

Salaries and Benefits

Salaries and benefits increased $55.0 million from 2018 to 2019 and $53.7 million from 2017 to 2018, primarily due to salaries related to new physicians and related support staff and contractual salary increases.

Supplies and Other Expenses

Supplies and other expenses increased approximately $10.0 million from 2018 to 2019, primarily due to:

- Increase in medical supplies of $6.5 million.
- Increase in contractual services of $4.5 million
- Decrease in other expenses of $600,000

Supplies and other expenses increased approximately $6.8 million from 2017 to 2018, primarily due to:

- Increase in medical supplies of $5.7 million.
- Increase in contractual services of $2.0 million
- Decrease in other expenses of $900,000

Depreciation and Amortization Expense

Depreciation and amortization expense increased $2.8 million from 2018 to 2019 due to capital asset additions in 2019, and the opening of the ACP. Depreciation and amortization decreased $3.1 million from 2017 to 2018 due to updated useful lives for buildings and equipment based on actual experience, partially offset by capital asset additions in 2018.

Nonoperating Activities, net

Nonoperating activities, net decreased $4.7 million from 2017 to 2018, primarily due to increased interest income and realized/unrealized gains on investments partially offset by an increase in interest expense.

Nonoperating activities, net decreased $1.9 million from 2017 to 2018, primarily due to unrealized losses on investments, partially offset by a gain on sale of insurance company interest and increased interest income.

Net Position

As shown in the Statements of Net Position, WCHCC's net position has the following components:

- Restricted
- Unrestricted

Restricted

Increased $1.4 million and $500,000 from December 31, 2018 to December 31, 2019, and December 31, 2017 to December 31, 2018, respectively, primarily due to increased restricted and endowment contributions.

Unrestricted

Unrestricted net deficit decreased by $11.1 million to ($322.8) million at December 31, 2019 from ($333.9) million at December 31, 2018, primarily due to the financial results for the year ended December 31, 2019.

Unrestricted net deficit increased by $10.5 million to ($333.9) million at December 31, 2018 from ($323.4) million at December 31, 2017, primarily due to the financial results for the year ended December 31, 2018.

Capital Assets and Long-Term Debt Activity

Capital Assets, net

At December 31, 2019, WCHCC had capital assets, net of accumulated depreciation of $816.7 million, compared to $643.6 million at December 31, 2018 and $564.9 million at December 31, 2017. Major categories of capital assets, net are set forth in the table below (amounts in thousands):

	2019	2018	2017
Land and land improvements	$ 12,385	$ 12,028	$ 10,380
Buildings and building improvements	470,626	286,783	281,597
Equipment	235,836	177,827	186,022
Construction in progress	97,833	166,960	86,880
	$ 816,680	$ 643,598	$ 564,879

Capital assets, net increased in 2019 by $173.1 million, consisting of additions to the ACP and various other capital projects and medical equipment purchases of $242.3 million, offset by depreciation expense of $69.2 million. Capital assets, net increased in 2018 by $78.7 million, primarily due to capital expenditures for the ACP, new EHR project, and other capital acquisitions net of depreciation and amortization. During 2018, the Westchester Medical Center updated the estimated useful lives for buildings and equipment based on actual experience. The impact of this change would have resulted in a decrease to depreciation expense of $6.9 million in the Statement of Revenue, Expenses and Changes in Net Position for the year ended December 31, 2017, if implemented in the prior year. More detailed information about WCHCC's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At December 31, 2019, WCHCC had $740.5 million in total long-term debt outstanding, as follows with comparative amounts at December 31, 2018 and December 31, 2017 (amounts in thousands):

	2019	2018	2017
2000 Series Bonds	$ 108,170	$ 108,170	$ 108,170
2010 Series Bonds	142,810	153,805	165,630
2011 Series Bonds	62,570	63,580	63,680
2014 Series Bonds	25,077	25,578	26,055
2015 Series Bonds	22,305	22,971	23,610
2016 Series Bonds	280,810	282,955	283,120
HealthAlliance debt, net	27,884	20,410	20,254
Bond premium/discount	22,504	23,387	24,270
Capital leases	48,330	34,222	26,137
	$ 740,460	$ 735,078	$ 740,926

Long-term debt increased $5.4 million from December 31, 2018 to December 31, 2019 due to new capital leases and new debt partially offset by principal payments and amortization of bond premiums and discounts and decreased $5.8 million from December 31, 2017 to December 31, 2018 due to principal payments and amortization of bond premiums and discounts, partially offset by new capital leases and new debt for HealthAlliance.

More detailed information about WCHCC's long-term debt is presented in Note 6 to the financial statements.

Contacting WCHCC's Financial Management

This financial report provides a general overview of WCHCC's finances and operations. If you have questions about this report or need additional financial information, please contact Gary F. Brudnicki, Senior Executive Vice President, Westchester County Health Care Corporation, Executive Offices, Valhalla, New York 10595.

Westchester County Health Care Corporation

STATEMENTS OF NET POSITION

December 31, 2019 and 2018

(amounts in thousands)

	2019		2018	
	WCHCC	Bon Secours Charity	WCHCC	Bon Secours Charity
Assets				
Current assets:				
Cash and cash equivalents	$ 96,538	$ 41,627	$ 112,132	$ 57,027
Investments	142,439	18,499	128,217	16,724
Total cash, cash equivalents and investments	238,977	60,126	240,349	73,751
Patient accounts receivable, net	210,290	70,795	193,343	62,706
Assets restricted as to use, required for current liabilities	15,211	5,670	37,663	281
Other current assets	129,203	20,425	123,919	17,774
Total current assets	593,681	157,016	595,274	154,512
Assets restricted as to use, net	36,467	4,703	54,624	4,709
Capital assets, net	816,680	122,645	643,598	121,664
Other assets, net	9,129	3,009	9,560	2,167
Total assets	1,455,957	287,373	1,303,056	283,052
Deferred Outflows of Resources				
Pension, OPEB and bond related	58,385	241	103,741	215
Liabilities				
Current liabilities:				
Current portion of long-term debt	30,167	2,547	27,133	1,829
Accounts payable and accrued expenses	234,135	43,351	208,925	33,240
Accrued salaries and related withholdings	84,591	33,316	77,759	29,599
Current portion of other long-term liabilities	123,333	17,230	81,261	8,769
Total current liabilities	472,226	96,444	395,078	73,437
Long-term debt, net	710,293	125,910	707,945	126,050
Other long-term liabilities, net	611,001	30,539	524,831	31,763
Total liabilities	1,793,520	252,893	1,627,854	231,250
Deferred Inflows of Resources				
Pension and OPEB related	28,670	-	99,326	-
Commitments and contingencies				
Net Position				
Restricted				
Expendable for capital acquisitions	1,217	1,682	1,249	2,238
Expendable for specific operating activities	8,656	3,639	8,331	3,131
Nonexpendable for endowment	5,036	664	3,945	664
Total restricted	14,909	5,985	13,525	6,033
Unrestricted				
Net investment in capital assets	146,066	116,930	84,041	116,108
Unrestricted	(468,823)	(88,194)	(417,949)	(70,124)
Total unrestricted	(322,757)	28,736	(333,908)	45,984
Total net position	$ (307,848)	$ 34,721	$ (320,383)	$ 52,017

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

Westchester County Health Care Corporation

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended December 31, 2019 and 2018

(amounts in thousands)

	2019		2018	
	WCHCC	Bon Secours Charity	WCHCC	Bon Secours Charity
Operating revenues				
Net patient service revenue (net of provision for bad debts of $81,289 and $39,074 in 2019 and $49,670 and $53,415 in 2018, respectively)	$ 1,586,830	$ 564,139	$ 1,514,835	$ 559,797
Other revenue	132,144	13,701	127,054	20,270
Total operating revenues	1,718,974	577,840	1,641,889	580,067
Operating expenses				
Salaries and benefits	942,177	326,080	891,433	315,294
Supplies and other expenses	634,972	242,979	624,932	231,254
Depreciation and amortization	69,220	24,649	66,445	25,160
Total operating expenses	1,646,369	593,708	1,582,810	571,708
Operating income before OPEB and pension expense	72,605	(15,868)	59,079	8,359
Salaries and benefits - OPEB expenses	15,918	-	17,037	-
Salaries and benefits - NYS pension expenses	32,113	-	32,115	-
Operating income (loss) before NYS pension adjustment	24,574	(15,868)	9,927	8,359
NYS pension adjustment	9,466	-	4,055	-
Operating income (loss)	15,108	(15,868)	5,872	8,359
Nonoperating activities				
Investment income	14,272	554	9,903	326
Unrealized gains (losses) on marketable securities, net	7,612	1,516	(7,944)	(652)
Interest expense	(33,513)	(7,523)	(27,370)	(7,567)
Other nonoperating activities, net	412	827	9,471	818
Total nonoperating activities, net	(11,217)	(4,626)	(15,940)	(7,075)
Increase (decrease) in net position before other changes	3,891	(20,494)	(10,068)	1,284
Other changes in net position				
NYS Capital Restructuring Financing Program Grant Award	8,644	3,198	-	1,211
Total other changes in net position	8,644	3,198	-	1,211
Increase (decrease) in net position	12,535	(17,296)	(10,068)	2,495
Net position				
Beginning of year	(320,383)	52,017	(310,315)	49,522
End of year	$ (307,848)	$ 34,721	$ (320,383)	$ 52,017

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

Westchester County Health Care Corporation

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

(amounts in thousands)

	2019		2018	
	WCHCC	Bon Secours Charity	WCHCC	Bon Secours Charity
Cash flows from operating activities:				
Cash received from patients and third-party payors	$ 1,585,507	$ 560,614	$ 1,450,329	$ 557,015
Other receipts	140,065	12,227	125,869	18,965
Cash paid to employees for salaries and benefits	(992,344)	(324,833)	(937,432)	(319,084)
Cash paid for supplies and other expenses	(534,025)	(229,770)	(578,790)	(228,553)
Net cash provided by operating activities	199,203	18,238	59,976	28,343
Cash flows from noncapital financing activities:				
Proceeds from contributions restricted for specific operating activities	6,141	-	7,477	-
Proceeds from issuance of long-term debt	8,500	-	2,200	-
Net cash receipts for nonoperating items	35	2,190	2,188	165
Repayments of principal on long-term debt	(983)	-	(548)	-
Interest paid	-	(7,252)	-	(7,259)
Net cash provided by (used in) noncapital financing activities	13,693	(5,062)	11,317	(7,094)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(221,572)	(23,074)	(131,040)	(18,422)
Proceeds from sale of assets	216	-	47	-
Proceeds from issuance of long-term debt	1,500	-	109	-
Proceeds from line of credit	35,000	-	-	-
Repayment of line of credit	(35,000)	-	-	-
Repayments of principal on long-term debt	(26,804)	(1,979)	(23,960)	(1,457)
State appropriations restricted for capital purposes	-	3,198	-	1,211
Interest paid	(32,694)	(270)	(27,209)	(307)
NYS Capital Restructuring Financing Program Grant Award	8,644	-	-	-
Net cash used in capital and related financing activities	(270,710)	(22,125)	(182,053)	(18,975)
Cash flows from investing activities:				
Purchase of investments and assets restricted as to use	(56,953)	(14,535)	(36,257)	(16,330)
Sale of investments and assets restricted as to use	84,674	7,377	96,835	13,057
Proceeds from gain on sale of investment in insurance company	40	-	8,685	-
Interest received	14,459	707	9,831	326
Net cash provided by (used in) investing activities	42,220	(6,451)	79,094	(2,947)
Net decrease in cash and cash equivalents	(15,594)	(15,400)	(31,666)	(673)
Cash and cash equivalents				
Beginning of year	112,132	57,027	143,798	57,700
End of year	$ 96,538	$ 41,627	$ 112,132	$ 57,027

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

Westchester County Health Care Corporation

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2019 and 2018

(amounts in thousands)

	2019		2018	
	WCHCC	Bon Secours Charity	WCHCC	Bon Secours Charity
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 15,108	$ (15,868)	$ 5,872	$ 8,359
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	69,220	24,649	66,445	25,160
Provision for bad debts, net	81,289	39,075	49,670	53,415
Deferred inflows and outflows, net	(25,780)	(26)	52,064	(29)
Changes in assets and liabilities:				
Patient accounts receivable	(98,236)	(47,164)	(60,129)	(56,081)
Other assets	(1,469)	(3,493)	(57,563)	2,388
Accounts payable and accrued expenses	27,654	10,111	34,023	(2,234)
Accrued salaries and related withholdings	6,832	3,717	4,661	(1,410)
Other liabilities	124,585	7,237	(35,067)	(1,225)
Net cash provided by operating activities	$ 199,203	$ 18,238	$ 59,976	$ 28,343
Supplemental disclosure of cash flow information				
Change in amounts accrued for purchase of capital assets	$ 203	$ -	$ 1,901	$ -
Assets acquired under capital leases	$ (23,191)	$ (2,556)	$ (16,151)	$ (355)

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

NOTE 1 - ORGANIZATION

The State of New York enacted legislation to authorize the creation of the Westchester County Health Care Corporation ("WCHCC") in response to the efforts of Westchester County (the "County") to provide a form of governance for Westchester Medical Center (the "Medical Center") with the flexibility to cope with the rapidly changing health care environment, to become more competitive, and to provide the County and area residents with quality health care in an efficient and effective manner.

The accompanying financial statements include the accounts of the following component units, entities for which WCHCC is considered to be financially accountable. All significant inter-entity accounts and activities have been eliminated in consolidation.

Medical Center:

- Westchester County Health Care Corporation (d/b/a Westchester Medical Center)
- The Westchester Medical Center Foundation, Inc. ("WMC Foundation")
- Mid-Hudson Valley Early Education Center ("Early Education Center")
- North Road LHCSA, Inc. ("LHCSA")
- WMC New York Inc. ("WMC New York")
- WCHCC (Bermuda), Limited ("WCHCC Bermuda")
- Mid-Hudson Valley Staffco, LLC ("Mid-Hudson Valley Staffco")
- Center for Regional Healthcare Innovation, LLC ("CRHI")
- Hudson Valley Property Holdings, LLC ("HVPH")
- Westchester Medical Center Advanced Physician Services, P.C. ("WMC Advanced Physician Services")
- NorthEast Provider Solutions, Inc. ("NorthEast Provider")
- WMC - Health Network - Ulster, Inc. ("WMC - Ulster")
- WMC - Health Network - Rockland, Inc. ("WMC - Rockland")

HealthAlliance:

- HealthAlliance, Inc. ("HealthAlliance")
- HealthAlliance Hospital: Broadway Campus ("Broadway")
- HealthAlliance Hospital: Mary's Ave Campus ("Mary's Ave")
- Kingston Regional Health Care Enterprises, Inc. ("Enterprises")
- Foxhall Ambulatory Surgery Center Foundation ("FASC Foundation")
- Multi-Provider Support Services, LLC ("MPSS") (dissolved May 17, 2019)
- Margaretville Hospital ("Margaretville")
- Margaretville Nursing Home (the "Nursing Home")
- Margaretville Health Foundation ("MHF")
- Mid-Hudson Physicians, P.C. ("Mid-Hudson Physicians")
- HealthAlliance Physician Network IPA, LLC ("HAPN")
- Kingston Insurance (Barbados) Limited ("Kingston"), effective January 31, 2020, operations were relocated to the Cayman Islands
- HealthAlliance Foundation ("HAF")

WCHCC is party to an Affiliation Agreement with HealthAlliance and WMC - Ulster, in which WMC - Ulster is the sole member of HealthAlliance. On October 21, 2019, WCHCC became the sole member of HealthAlliance. The auditor's opinion on the stand-alone audited financial statements of HealthAlliance for the years ended December 31, 2019 and 2018 includes an emphasis of matter paragraph relating to the uncertainty regarding HealthAlliance's ability to continue as a going concern due to HealthAlliance's working capital deficit, recurring operating losses, and noncompliance with certain financial debt covenant requirements. Total assets for HealthAlliance were approximately $84.4 million and $81.2 million as of December 31, 2019 and 2018, respectively, and operating revenues were approximately $210.8 million and $189.8 million for the years then ended, respectively. The ongoing financial viability of HealthAlliance is not guaranteed by WCHCC.

WCHCC is party to an Affiliation Agreement with Bon Secours Mercy Health, Inc. ("BSMH"), the Sisters of Charity of Saint Elizabeth ("SOC"), Bon Secours Charity Health System, Inc. ("Bon Secours Charity" or "Charity") and WMC Health Network - Rockland, Inc. ("WMC – Rockland," a subsidiary of WCHCC), in which WMC - Rockland became the majority member of Charity, holding 60% of the economic interest in Charity and appointing 60% of the Charity Board of Directors. BSMH holds a 40% economic interest in Charity and, together with SOC, appoints 40% of the Charity Board of Directors. WCHCC provides management services to Charity pursuant to a Department of Health-approved exclusive management agreement between WCHCC and Charity. Charity is shown as a discretely presented component unit in WCHCC's audited financial statements. More detailed information about Charity is presented in Note 16.

The Medical Center, HealthAlliance and Charity and their controlled organizations (collectively, referred to as the "WCHCC Network") comprise an integrated health care delivery network. The facilities are located in Westchester, Rockland, Orange, Putnam, Dutchess, Ulster, Sullivan and Delaware counties in New York. WCHCC Network provides patient care, teaching and community services.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

WCHCC is considered a special-purpose government entity engaged only in business-type activities. WCHCC's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by the Governmental Accounting Standards Board ("GASB") and the provisions of the American Institute of Certified Public Accountants *Audit and Accounting Guide, Health Care Entities,* to the extent that they do not conflict with GASB.

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and operating expenses. All other activities are reported as nonoperating activities.

The notes to the financial statements present financial information for WCHCC and its blended component units and do not include Charity, except for Note 16.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. WCHCC's significant estimates include the allowance for estimated uncollectible patient accounts receivable, estimated third-party contractual allowances, estimated third-party payor receivables and payables, pension liabilities, self-insurance liabilities, workers' compensation liabilities and post-retirement health insurance liabilities. Actual results may differ from those estimates.

Revisions to previously recorded estimates of net patient accounts receivable, third-party payor liabilities and insurance reserves and settlements for the year ended December 31, 2019 and net patient accounts receivable, third-party payor liabilities, and accrued salaries for the year ended December 31, 2018 resulted in an increase in operating income of approximately $83.2 million and $19.4 million, respectively.

Patient Accounts Receivable and Net Patient Service Revenue

Accounts receivable from patients and third-party payors at December 31, 2019 and 2018 was comprised of Medicare, 22% and 19%, Medicaid, 20% and 23%, and commercial insurance, health maintenance organizations and others, 58% and 58%, respectively. Patient accounts receivable are recorded net of allowances for estimated uncollectible accounts of approximately $104.9 million and $76.7 million at December 31, 2019 and 2018, respectively. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid.

Patient accounts receivable are recorded at the reimbursable or contracted amounts and do not bear interest. The allowance for uncollectible accounts is WCHCC's estimate of the amount of probable credit losses in WCHCC's patient accounts receivable. WCHCC determines the allowance based on historical write-off experience. WCHCC evaluates its allowance for uncollectible accounts periodically. Past due balances are evaluated individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Net patient service revenues are recognized in the period services are performed. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to audits, reviews and investigations. Third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

WCHCC has payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to WCHCC under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

There are various proposals at the federal and state levels that could, among other things, reduce payment rates and increase managed care penetration, including Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined. The Medical Center's cost reports have been audited and finalized by its Medicare fiscal intermediary through December 31, 2015, with the exception of December 31, 2004, and HealthAlliance's three cost reports through December 31, 2016 for Broadway, December 31, 2015 for Mary's Ave and December 31, 2017 for Margaretville.

Assets Restricted as to Use

Assets restricted as to use include certain assets of the WMC Foundation, the proceeds of indebtedness held by the trustees under debt agreements, assets restricted for the purchase of capital assets and assets restricted by donors and amounts designated by the Board of Directors.

Donor-restricted assets represent contributions to provide health care services and for capital acquisitions. Resources restricted by donors for plant replacement and expansion are added to the net position - net investment in capital assets balance to the extent expended within the period. Resources restricted by donors or grantors for specific operating activities are reported as other revenue to the extent used within the period. WCHCC generally utilizes donor-restricted resources for expenses incurred before utilizing available unrestricted assets.

Grants and Contributions

From time to time, WCHCC receives grants from the local, state and federal government as well as contributions from individuals, foundations and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other revenue. At December 31, 2019 and 2018, net contributions and grants receivable of approximately $4.5 million and $3.8 million, respectively, are included in other assets in the accompanying Statements of Net Position.

Cash and Cash Equivalents

WCHCC's cash and cash equivalents policies are governed by state statutes. Funds must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the state. Certain funds deposited with banking institutions exceed FDIC limits; however, WCHCC has a collateralization agreement with its depository institutions which management believes reduces the risks related to these balances to a minimal level. WCHCC's cash balances are collateralized under a third-party custodian agreement.

At December 31, 2019 and 2018, cash and cash equivalents consist of cash and all highly-liquid instruments with maturities of three months or less at the date of purchase. Approximately 72% and 79% of cash and cash equivalents reside with a major financial institution at December 31, 2019 and 2018, respectively.

Investments

WCHCC's investments consist primarily of equities and fixed income holdings, which are stated at fair value in the Statements of Net Position.

Inventories

Inventories, included in other current assets, are primarily prepaid supplies that are carried at the lower of cost, principally on a first-in, first-out ("FIFO") basis, or market.

Capital Assets

In connection with the establishment of the public benefit corporation in 1997, WCHCC recorded buildings, fixed equipment, and land received from the County at book value. Capital assets acquired subsequent to the establishment of the public benefit corporation are recorded at cost. Assets with a purchase price of $1,000 or more that have an economic life greater than one year are capitalized and assets with a purchase price of less than $1,000 are expensed.

Gifts of long-lived assets such as land, buildings, and equipment are recorded at fair value at the date of the contribution and are excluded from operating income.

Depreciation is recorded using the straight-line method over the estimated useful life of each class of depreciable assets.

	Estimated useful lives	
	Medical Center	HealthAlliance
Land improvements	10 years	2 to 30 years
Buildings and building improvements	5 to 60 years	3 to 60 years
Equipment	10 to 20 years	2 to 28 years

Equipment under capitalized lease obligations are amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the leased equipment. Such amortization is included in depreciation and amortization expense in the financial statements. Interest cost, net of interest earned on those funds, incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of construction.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. In addition to the liabilities, the Statement of Net Position includes deferred inflows of resources which represent an acquisition of a net position that applies to future periods and will not be recognized as an inflow of resources until that time.

Net Position

Unrestricted net position has no external restrictions as to use or purpose and is distinguished from net position restricted externally for specific purposes. Restricted net positions relate primarily to federal and state grants for research and community programs and restricted contributions and endowments received from donors. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and trustee held assets for capital projects reduced by the outstanding balances of debt attributable to those assets.

Concentrations of Credit Risk

WCHCC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. WCHCC generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of patients' benefits under their health insurance policies.

Charity Care

WCHCC provides care to patients who meet certain criteria under its charity care policy without charge and Medicaid amounts less than established rates ("Charity Care"). Because WCHCC does not pursue collection of amounts determined to qualify as Charity Care, such amounts are not reported as revenue.

WCHCC maintains records identifying and monitoring the level of Charity Care it provides. WCHCC estimates the cost of Charity Care for the years ended December 31, 2019 and 2018, at approximately $196.7 million and $188.6 million, respectively.

Taxation

The Medical Center is a public benefit corporation of the State of New York and is exempt from federal income taxes under Section 115 of the Internal Revenue Code (the "Code"). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

WCHCC's component units are exempt from income tax under Section 501(c)(3) of the Code, except for WCHCC's for-profit blended component units, WMC Advanced Physician Services, NorthEast Provider, Mid-Hudson Physicians, MPSS, HAPN and Enterprises. Income taxes of WCHCC's for-profit blended component unit are not material to the financial statements.

Compensated Absences

WCHCC employees earn paid time off at varying rates depending on years of service, union affiliation and affiliated entity. Eligible paid time off accumulates and certain days are payable upon separation or retirement. The estimated amount of paid time off and related taxes payable as separation payments or upon retirement is recorded as part of accrued salaries and related benefits withholdings in the accompanying Statements of Net Position.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in the service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. No impairment charges to long-lived assets were required to be recorded for the years ended December 31, 2019 and 2018.

Fair Value of Financial Instruments

Fair value of financial instruments disclosure authoritative guidance defines fair value of a financial instrument as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. WCHCC's assets restricted as to use consist primarily of cash and cash equivalents, United States Treasury Obligations and United States Government Agency Securities, which are stated at fair value in the Statements of Net Position. The carrying amounts reported in the Statements of Net Position for cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated payables and receivables due to and from third party payors approximate their fair value. The carrying amounts of WCHCC's bonds and notes payable approximates fair value based upon their interest rates.

Adopted Accounting Pronouncement

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations ("AROs"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB 83. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. WCHCC has evaluated the effect of GASB 83 and determined that its adoption had no material impact on its financial statements.

Relevant Pending Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*, ("GASB 87"). GASB 87 will increase the usefulness of governments' financial statements by requiring the reporting of certain lease related assets, liabilities and deferred inflows of resources on the statement of net position that currently are not reported on that statement. It will also enhance the comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. GASB 87 is intended to enhance the decision-making usefulness of the information provided to financial statement users by requiring notes to the financial statements to include the timing, significance, and purpose of a government's leasing arrangements.

On January 1, 2020, WCHCC adopted the new standard. Financial information will not be updated and the disclosures required under the standard will not be provided for dates and periods before January 1, 2020.

The new standard will have an effect on WCHCC's statement of net position. The most significant effects of adoption relate to the recognition of intangible right-to-use lease assets and lease liabilities for existing real estate and equipment operating leases where WCHCC is the lessee, the recognition of lease receivables and deferred inflows of resources for existing real estate leases where WCHCC is the lessor, and providing new disclosures about leasing activities.

The impact on the statement of net position upon adoption is as follows:

- Recognize intangible right-to-use assets and lease liabilities of approximately $119.4 million based on the present value of the remaining minimum rental payments for existing leases where WCHCC is the lessee.
- Recognize lease receivables and deferred inflows of resources of approximately $9.2 million based on the present value of the remaining minimum rental payments for existing leases where WCHCC is the lessor.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, ("GASB 89"). GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and no longer be included in the historical cost of a capital asset reported in a business-type activity. The requirements of GASB 89 are effective for financial statements for periods beginning after December 15, 2019. The requirements of GASB 89 will be applied prospectively beginning January 1, 2020.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at December 31, 2019 and 2018 (amounts in thousands):

	2019	2018
Description		
Bank deposits	$ 97,743	$ 134,668
Money market accounts	14,233	9,263
Equity mutual funds	4,676	3,583
Equities	47,414	37,091
Fixed income mutual funds	5,615	5,067
Other	1,313	1,242
Fixed income:		
US Treasury securities	68,873	94,681
Corporate bonds	49,250	45,414
	$ 289,117	$ 331,009
Description on Statement of Net Position		
Cash and cash equivalents	$ 96,538	$ 112,132
Investments	142,439	128,217
Assets restricted as to use, required for current liabilities	14,863	37,412
Assets restricted as to use, net	35,277	53,248
	$ 289,117	$ 331,009
Investment maturities of fixed income securities		
One year or less	$ 31,128	$ 66,208
After one through five years	55,662	52,794
After five through ten years	31,333	21,093
	$ 118,123	$ 140,095

Estimated fair values have been determined by WCHCC using appropriate valuation methodologies by third parties, quoted market prices, and information available to management.

WCHCC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in advance markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At December 31, 2019 and 2018, all of WCHCC's financial instruments measured at fair value were categorized as Level 1.

Custodial credit risk - investments - is the risk that, in the event of the failure of a counterparty, WCHCC will not be able to recover the value of the investments that are in that counterparty's possession. WCHCC's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent, but not in WCHCC's name. At December 31, 2019 and 2018, all investments are either insured or held by WCHCC or its agent in WCHCC's name and, therefore, are not exposed to custodial credit risk. Accordingly, WCHCC's investment policy does not address custodial credit risk for investments.

Concentration of credit risk - is the risk of loss attributed to the magnitude of WCHCC's investment in a single issuer. There is no limit on the amount WCHCC may invest in any issuer. WCHCC's investments are diversified and are not currently exposed to this risk.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair market value of an investment. WCHCC invests in fixed-rate debt and US Treasury securities with primarily one to seven year maturities.

Credit risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. WCHCC's investment policy allows for up to 10% of investments in Baa/BBB Bonds.

NOTE 4 - ASSETS RESTRICTED AS TO USE

Assets restricted as to use consist of the following at December 31, 2019 and 2018 (amounts in thousands):

	2019	2018
Time and purpose restricted		
The Westchester Medical Center Foundation, Inc.	$ 14,344	$ 12,906
Other purposes	7,843	23,895
	22,187	36,801
Under debt agreements		
Debt service reserve funds	25,090	25,011
Construction funds	-	26,142
Other	4,401	4,333
	29,491	55,486
	51,678	92,287
Less portion required for current liabilities	15,211	37,663
Assets restricted as to use, net	$ 36,467	$ 54,624

WCHCC's assets restricted as to use are reported at fair value, as described in Note C. At December 31, 2019 and 2018, the composition of assets restricted as to use consisted of the following (amounts in thousands):

	2019	2018
Bank deposits	$ 8,740	$ 26,320
Money market accounts	5,474	4,289
Equity mutual funds	3,075	2,326
Equities	2,179	1,502
Fixed income mutual funds	395	331
Other	1,827	1,856
Fixed income:		
US Treasury securities	26,347	52,373
Other	3,641	3,290
	$ 51,678	$ 92,287

WCHCC's assets restricted as to use reported under debt agreements represent insured or registered funds or securities held by WCHCC or its agent in WCHCC's name.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows (amounts in thousands):

	2019			
	Beginning balance	Additions and transfers	Retirements and transfers	Ending balance
Capital assets, not being depreciated:				
Land	$ 3,251	$ -	$ -	$ 3,251
Construction in process	166,690	(69,065)	(62)	97,833
Capital assets, being depreciated:				
Building and improvements	732,606	210,312	242	943,160
Equipment	821,162	100,142	(227)	921,077
Land improvements	20,054	913	17	20,984
Total capital assets	1,744,033	400,756	(30)	1,986,305
Less accumulated depreciation and amortization for:				
Building and improvements	(445,823)	(26,711)	-	(472,534)
Equipment	(643,335)	(41,936)	30	(685,241)
Land improvements	(11,277)	(573)	-	(11,850)
Total accumulated depreciation and amortization	(1,100,435)	(69,220)	30	(1,169,625)
Carrying value of all capital assets, net	$ 643,598	$ 173,082	$ -	$ 816,680

	2018			
	Beginning balance	Additions and transfers	Retirements and transfers	Ending balance
Capital assets, not being depreciated:				
Land	$ 3,235	$ 16	$ -	$ 3,251
Construction in process	86,880	101,513	(21,433)	166,960
Capital assets, being depreciated:				
Building and improvements	703,283	29,323	-	732,606
Equipment	787,372	33,631	159	821,162
Land improvements	17,940	2,114	-	20,054
Total capital assets	1,598,710	166,597	(21,274)	1,744,033
Less accumulated depreciation and amortization for:				
Building and improvements	(421,686)	(24,137)	-	(445,823)
Equipment	(601,350)	(41,826)	(159)	(643,335)
Land improvements	(10,795)	(482)	-	(11,277)
Total accumulated depreciation and amortization	(1,033,831)	(66,445)	(159)	(1,100,435)
Carrying value of all capital assets, net	$ 564,879	$ 100,152	$ (21,433)	$ 643,598

Included in construction in progress are costs associated with HealthAlliance's plan to transition its Broadway and Mary's Ave campuses into a single campus located at the Mary's Ave campus and to redevelop the Broadway campus into a "medical village." In March 2016, HealthAlliance was awarded approximately $88.8 million from the New York State Capital Restructuring Financing Program ("CRFP"). This award will be used for capital expenditures related to the strategic plan. A Certificate of Need ("CON") was filed for the transition to the Mary's Ave campus. In June 2019, HealthAlliance received final approval for the CON. In October 2019, HealthAlliance received $8.6 million of CRFP funds related to expenditures for the transition to the Mary's Ave. campus. This amount has been recognized in 2019 as other changes in net position in the Statement of Revenues, Expenses, and Changes in Net Position. The single campus project is projected to cost approximately $92.9 million of which $74.1 million is expected to be funded by proceeds from an approximate $88.8 million CRFP grant. At December 31, 2019, WCHCC was committed to non-cancelable construction contracts related to capital projects of approximately $30.7 million, $3.0 million of which is related to the St. Mary's Ave campus project.

Included in capital assets is capitalized interest, net of accumulated amortization, of approximately $36.2 million and $32.9 million at December 31, 2019 and 2018, respectively. Interest capitalized during the years ended December 31, 2019 and 2018 was $4.6 million and $8.5 million, respectively.

The net book value of capital assets held under capitalized lease obligations, included in equipment, was approximately $41.9 million and $26.9 million at December 31, 2019 and 2018, respectively.

NOTE 6 - LONG-TERM DEBT

Long-term debt activity as of December 31, 2019 and 2018 was as follows (amounts in thousands):

	December 31, 2018	Additions	Reductions	December 31, 2019	Amounts due within one year
2000 Series Bonds [a]	$ 108,170	$ -	$ -	$ 108,170	$ -
2010 Series Bonds [b]	153,805	-	(10,995)	142,810	10,310
2011 Series Bonds [c]	63,580	-	(1,010)	62,570	2,010
2014 Series Bonds [d]	25,578	-	(501)	25,077	526
2015 Series Bonds [e]	22,971	-	(666)	22,305	691
2016 Series Bonds [f]	282,955	-	(2,145)	280,810	2,255
Other [g]	20,410	10,000	(2,526)	27,884	2,121
Bond premium/discount	23,387	-	(883)	22,504	883
Capital leases [h]	34,222	23,191	(9,083)	48,330	11,371
	$ 735,078	$ 33,191	$ (27,809)	$ 740,460	$ 30,167

	December 31, 2017	Additions	Reductions	December 31, 2018	Amounts due within one year
2000 Series Bonds [a]	$ 108,170	$ -	$ -	$ 108,170	$ -
2010 Series Bonds [b]	165,630	-	(11,825)	153,805	10,995
2011 Series Bonds [c]	63,680	-	(100)	63,580	1,010
2014 Series Bonds [d]	26,055	-	(477)	25,578	501
2015 Series Bonds [e]	23,610	-	(639)	22,971	666
2016 Series Bonds [f]	283,120	-	(165)	282,955	2,145
Other [g]	20,254	2,509	(2,353)	20,410	3,063
Bond premium/discount	24,270	-	(883)	23,387	883
Capital leases [h]	26,137	16,151	(8,066)	34,222	7,870
	$ 740,926	$ 18,660	$ (24,508)	$ 735,078	$ 27,133

[a] At December 31, 2019, the balance of WCHCC Series 2000 Bonds have interest rates varying from 4.50% to 5.00% and mature annually on November 1, 2021 through 2030.

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2000 Bonds, including a debt service reserve fund of approximately $10.8 million as of December 31, 2019 and 2018 (see Note 4).

Interest expense relating to the Series 2000 Revenue Bonds was approximately $5.3 million in 2019 and 2018.

[b] At December 31, 2019, the outstanding WCHCC Revenue Bonds, Series 2010, Senior Lien consists of $37.4 million Series 2010A (Federally Taxable - Direct Payment - Build America Bonds) bonds with an interest rate of 8.57% and maturing on November 1, 2040; $13.0 million Series 2010B (Tax-Exempt) bonds with interest rates varying from 4.00% to 6.13% and maturing through November 1, 2020, November 1, 2030 and November 1, 2037; $31.5 million Series 2010C-1 (Federally Taxable - Direct Payment - Build America Bonds) bonds with an interest rate of 8.57% maturing on November 1, 2040;

and $3.6 million Series 2010C-2 (Tax Exempt) bonds with an interest rate of 6.13% maturing on November 1, 2037.

WCHCC also has $57.3 million of WCHCC Revenue Bonds, Series 2010D, Senior Lien (Taxable) bonds outstanding bearing interest under a Weekly Interest Rate, such rate being 1.62% and 2.40% at December 31, 2019 and 2018, respectively, maturing November 1, 2034. The Series 2010D consist of variable rate demand bonds ("VRDBs"). WCHCC has entered into an irrevocable letter of credit ("LOC") with a financial institution to secure bond repayment and interest obligations associated with its VRDBs. If the VRDBs are unable to be remarketed, the trustee for the VRDBs will request purchase under the LOC scheduled repayment terms. The LOC will expire on December 21, 2022.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the various Series 2010 Bonds, including a debt service reserve fund of approximately $12.0 million and $11.9 million as of December 31, 2019 and 2018, respectively (see Note 4).

Interest expense relating to the various Series 2010 Bonds was approximately $8.5 million and $9.0 million in 2019 and 2018, respectively.

(c) At December 31, 2019, the WCHCC Revenue Bonds, Series 2011, Senior Lien consists of $47.3 million Series 2011A (Tax-Exempt) bonds with interest rates varying from 2.00% to 5.32%, maturing annually through November 1, 2026, November 1, 2032 and November 1, 2041 and $15.3 million Series 2011B (Tax-Exempt) bonds with an interest rate of 5.32%, maturing November 1, 2041.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2011 Bonds, including a debt service reserve fund of approximately $2.3 million as of December 31, 2019 and 2018 (see Note 4).

Interest expense relating to the Series 2011 Bonds was approximately $3.1 million in 2019 and 2018.

(d) At December 31, 2019, the balance of WCHCC Revenue Bonds, Series 2014A, Senior Lien with an interest rate of 5.0% and maturing November 1, 2044 was outstanding.

Interest expense relating to the Series 2014 Bonds was approximately $1.3 million in 2019 and 2018.

(e) At December 31, 2019, the balance of a private placement bond offering relating to Dutchess County Local Development Corporation Revenue Bonds, Series 2015, consists $18.0 million Series 2015A (Tax-Exempt) with an interest rate of 3.75%, maturing August 1, 2030, and $4.3 million Series 2015B (Taxable) with an interest rate of 5.95% maturing August 1, 2030.

Interest expense relating to the Series 2015 Bonds was approximately $958,000 and $1.0 million in 2019 and 2018, respectively.

(f) At December 31, 2019, $280.8 million of Westchester County Local Development Corporation Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project) (Series 2016 Bonds), Tax Exempt bonds with interest rates varying from 3.0% to 5.0% and maturing annually November 1, through 2034, November 1, 2037 and November 1, 2046 are outstanding.

The proceeds of the Series 2016 Bonds, together with other available funds, (i) were used to fund the construction of the ACP at the Medical Center's Valhalla campus; (ii) were used to finance certain capital projects at WCHCC; (iii) were used to advance refund a portion of WCHCC's outstanding Series 2010B Bonds and Series 2010C-2 Bonds; (iv) were used to fund capitalized interest on the Series 2016 Bonds through 2018 and (v) were used to pay costs related to the issuance of the aforementioned bonds.

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2016 Bonds.

Interest expense, net of capitalized interest, relating to the Series 2016 Bonds was approximately $8.9 million and $5.2 million in 2019 and 2018, respectively.

(g) On November 6, 2019, WCHCC purchased a building for $2.0 million from the Board of Education of the Spackenkill Union Free School District ("the District"). At closing, $1.5 million was financed through a non-interest bearing note payable provided by the District, due in four equal annual installments of $375,000 through 2023.

HealthAlliance has the following debt obligations:

DASNY Capital Loan

On January 22, 2016, HealthAlliance entered into a reimbursement agreement for approximately $4.4 million with the Dormitory Authority of the State of New York ("DASNY") to finance certain capital projects at Broadway and Mary's Ave.

DASNY Operating Loans

On December 14, 2016, June 14, 2017, July 25, 2018, April 3, 2019, and May 15, 2019, HealthAlliance entered into reimbursement agreements for $5.0 million, $4.0 million, $2.2 million, $2.0 million, and $1.5 million, respectively, with DASNY to finance operations at Broadway and Mary's Ave. The loans, along with existing DASNY capital and operating loans were consolidated into one repayment agreement which was initially scheduled to mature on July 1, 2020. In March 2020, the maturity date was extended to July 1, 2022. The interest rate is 2.00% with monthly principal and interest payments of $25,000 from January through March 2020 and $30,000 from April 2020 through July 2022, at which point all remaining outstanding principal and interest is due. HealthAlliance and DASNY will enter into discussions to amend the reimbursement agreement prior to the maturity date. On January 23, 2019, HealthAlliance entered into an agreement with DASNY for an additional loan facility of $5.0 million with an interest rate of 2.00%. In October 2019, HealthAlliance repaid $1.0 million. The agreement requires repayments of $1.0 million on each of the following dates: December 31, 2021; December 31, 2023; December 21, 2024; and December 21, 2025. All DASNY loans are collateralized by a lien on certain properties owned by HealthAlliance.

Series 2006 Revenue Bonds

At December 31, 2019, the balance of the Ulster County Industrial Development Agency, Series 2006A ("Series 2006 Revenue Bonds") related to the payoff of certain other notes and capital lease obligations was outstanding. The Series 2006 Revenue Bonds carry interest rates varying from 5.00% to 6.15% maturing November 1, 2021. The Series 2006 Revenue Bonds are collateralized by the balances in the assets restricted as to use, a mortgage lien on real property and a pledge of gross revenues, including revenues from joint ventures.

Under the Master Trust Indenture associated with the Series 2006 Revenue Bonds, Mary's Ave is required to maintain certain financial covenants and comply with certain financial reporting requirements. As of December 31, 2019 and 2018, Mary's Ave did not meet certain of its required financial covenants, which is an event of default under the Master Trust Indenture. Accordingly, the entire Series 2006 Revenue bonds are classified as a current liability at December 31, 2019 and 2018.

Series 2010A Revenue Bonds

At December 31, 2019, the balance of Ulster County Capital Resource Corporation Series 2010A Tax Exempt Multi-Mode Revenue Bonds ("Series 2010A Revenue Bonds") related to the refinancing of previous bonds and the establishment of a Project Fund bearing an interest rate of 4.40% maturing February 1, 2020 was outstanding.

Under the Master Trust Indenture associated with the Series 2010A Revenue Bonds, Broadway is required to meet a debt service coverage ratio, minimum days' cash on hand and other certain financial covenants. As of December 31, 2019 and 2018, Broadway did not meet certain of its required financial covenants, which is an event of default under the Master Trust Indenture. Accordingly, the entire Series 2010 Revenue bonds are classified as a current liability at December 31, 2019 and 2018.

Interest expense for all HealthAlliance debt was approximately $1.2 million and $900,000 in 2019 and 2018, respectively.

(h) WCHCC has entered into certain capital lease agreements that are collateralized by the underlying assets and bear interest at rates between 2.49% and 6.28%. The interest expense under these leases was approximately $2.3 million and $1.1 million in 2019 and 2018, respectively.

Long-Term Debt Service Coverage Ratio

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture ("MTI") between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the "Medical Center"), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for all Bond series. During the years ended December 31, 2019 and 2018, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Future Principal and Interest Payments

The following is a schedule by year of future contractual principal and interest (based on interest rates at December 31, 2019) payments on the bonds and other long-term debt at December 31, 2019 (amounts in thousands):

	Principal	Interest	Total
2020	$ 17,913	$ 32,435	$ 50,348
2021	16,833	31,510	48,343
2022	33,858	30,824	64,682
2023	18,225	29,742	47,967
2024	18,620	28,978	47,598
2025-2029	102,612	131,167	233,779
2030-2034	126,151	105,033	231,184
2035-2039	132,956	81,257	214,213
2040-2044	139,688	37,355	177,043
2045-2046	62,770	4,746	67,516
	$ 669,626	$ 513,047	$ 1,182,673

Included in deferred outflows of resources as of December 31, 2019 and 2018 are $8,604 and $9,085 deferred outflows related to the early redemption of the 2010B and 2010C bond issuances.

The future minimum lease payments under the capital lease obligations, together with the present value of the minimum lease payments at December 31, 2019 are as follows (amounts in thousands):

	Amount
2020	$ 13,813
2021	13,357
2022	12,082
2023	9,315
2024	5,352
2025-2029	711
	54,630
Less: amount representing interest	6,300
	48,330
Present value of net minimum lease payments	
Less: current portion	11,371
	$ 36,959

NOTE 7 - RETIREMENT PLANS

Defined Benefit Plans

The New York State Comptroller's Office administers the New York State and Local Employers' Retirement System ("ERS") for which WCHCC is a participating employer. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to ERS.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute.

ERS is a cost-sharing, multiple employer defined benefit pension plan. ERS is included in the NYS financial statements as a pension trust fund. The Public Employees' Group Life Insurance Plan ("GLIP") provides death benefits in the form of life insurance. Amounts related to GLIP have been apportioned to ERS. Separately issued financial statements for ERS can be accessed on the State Comptroller's website at www.osc.state.ny.us/pension/cafr.htm.

ERS offers a wide range of programs and benefits. ERS benefits vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. Both plans provide a permanent annual cost-of-living increase to both current and future retired members meeting certain eligibility requirements. Participating employers are required under law to contribute to ERS on an actuarially determined rate, which is determined annually by the State Comptroller and the average contribution rates for the NYS fiscal years ended March 31, 2019 and 2018 were approximately 14.9% and 15.3%, respectively, of payroll. ERS provides retirement benefits as well as death and disability benefits. For those members joining prior to January 1, 2010, benefits generally vest after five years of credited service. For those joining after

January 1, 2010, benefits generally vest after 10 years of credited service. The RSSL provides that all participants in ERS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Employees who joined ERS after July 27, 1976 and before January 1, 2010, and have less than ten years of service or membership are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Employee contributions are deducted from their salaries and remitted on a current basis to ERS. The NYS pension adjustment of $9.5 million and $4.0 million for the years ended December 31, 2019 and 2018, respectively, in the Statements of Revenues, Expenses and Changes in Net Position represents the difference between the actuarial expense and the required calculated funding.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded reflect ERS' published financial statements and actuarial valuations as of March 31, 2018 and 2017 (the "Measurement Dates").

WCHCC's respective net pension liability, deferred outflows of resources, deferred inflows of resources and net pension expense related to ERS as of and for the years ended December 31, 2019 and 2018, are as follows (amounts in thousands):

	2019	2018
Proportionate share of the net pension liability		
Amount	$ 63,349	$ 29,752
Percentage	0.89%	0.922%
Deferred outflows of resources	31,409	76,700
Deferred inflows of resources	22,804	95,123
Net pension expense		
Salaries and benefits - NYS pension expenses	$ 32,113	$ 32,115
NYS pension adjustment	9,466	4,055
Total net pension expense	$ 41,579	$ 36,170

WCHCC's proportionate share of ERS' 2019 and 2018 net pension liability is consistent with the manner in which contributions to ERS are determined. ERS computed each employer's projected long-term contribution effort to ERS as compared to the total projected long-term contribution of all employers to ERS.

The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Dates are as follows (amounts in thousands):

	2019	2018
Deferred outflows of resources		
Differences between expected and actual experience	$ 12,475	$ 10,612
Changes of assumptions	15,923	19,728
Net difference between projected and actual investment earnings on pension plan investments	-	43,212
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,011	3,148
	$ 31,409	$ 76,700
Deferred inflows of resources		
Differences between expected and actual experience	$ 4,252	$ 8,769
Net difference between projected and actual investment earnings on pension plan investments	16,259	85,297
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,573	1,057
	$ 22,084	$ 95,123

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be reflected in salaries and benefits, as revenues or (expenses), in the Statements of Revenues, Expenses, and Changes in Net Position as follows (amounts in thousands):

	2019
2020	$ 13,698
2021	(12,081)
2022	(669)
2023	8,377
	$ 9,325

Actuarial Assumptions

WCHCC's net pension liabilities at the Measurement Dates were determined by using an actuarial valuation as of April 1, 2018 and 2017, with update procedures used to roll forward the total pension liability to March 31, 2019 and 2018, respectively. The actuarial valuations used the following actuarial assumptions:

Inflation rate	2.50%
Salary increases	4.20%
Investment rate of return, including inflation	7.0% net of investment expenses, including inflation
Cost of living adjustments	1.30%
Decrements	Actuarial assumptions based on the results of an experience study for the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class including target asset allocation at the Measurement Dates are summarized below:

	2019		2018	
Asset class	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Domestic equity	36%	4.55%	36%	4.55%
International equity	14%	6.35%	14%	6.35%
Private equity	10%	7.50%	10%	7.50%
Real estate	10%	5.55%	10%	5.55%
Absolute return strategies	2%	3.75%	2%	3.75%
Opportunistic portfolio	3%	5.68%	3%	5.68%
Real assets	3%	5.29%	3%	5.29%
Bonds and mortgages	17%	1.31%	17%	1.31%
Cash	1%	-0.25%	1%	-0.25%
Inflation-Indexed Bonds	4%	1.25%	4%	1.25%
	100%		100%	

Discount Rate

The discount rate used to calculate the total pension liability at March 31, 2019 and 2018 was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

WCHCC's proportionate share of the net pension liability calculated using the respective discount rate, as well as what WCHCC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate as of December 31, 2019 and 2018 are as follows (amounts in thousands):

	2019		2018	
	Rate	Amount	Rate	Amount
1% decrease	6.00%	$ 276,969	6.00%	$ 225,111
Current discount rate	7.00%	63,348	7.00%	29,752
1% increase	8.00%	(116,108)	8.00%	(135,514)

Deferred Pension Contributions

NYSRSSL Chapter 57 of the Laws of 2010 authorized the NYS and local employers to amortize over ten years, at 3.21% (2016), 3.15% (2015), 3.67% (2014), 3.00% (2013) and 3.75% (2012) interest, the portion of their annual bill, that exceeded 14.5%, 13.5%, 12.5%, 11.5% and 10.5% of payroll for its 2016, 2015, 2014, 2013 and 2012 pension bills, respectively. Total amounts due at December 31, 2019 and 2018 related to these deferred pension contributions are approximately $26.2 million and $31.4 million, respectively, and are included as part of other long-term liabilities (Note 10) in the accompanying Statements of Net Position.

Defined Contribution Pension Plan

WCHCC provides the WMCHealth Network Affiliated Employers 401(k) Plan (the "WMCHealth Network 401(k) Plan") for employees of WMC Advanced Physician Services, NorthEast Provider, WMC New York, and employees of MidHudson Valley Staffco LLC. WMCHealth Network 401(k) Plan is a defined contribution plan open to eligible participants. Employees are eligible to contribute to the WMCHealth Network 401(k) Plan upon hire and vest immediately. Eligible employees will receive employer contributions of 4% of gross salary matching contribution up to the Internal Revenue Code limit. As of December 31, 2019 and 2018, there were approximately 3,703 and 3,239 participants, respectively, in the WMCHealth Network 401(k) Plan. For the years ended December 31, 2019 and 2018, the WMCHealth Network 401(k) Plan had total payroll expense of approximately $332.5 million and $287.9 million of which approximately $268.3 million and $231.3 million, respectively, was covered by the WMCHealth Network 401(k) Plan. Total employer contributions to the WMCHealth Network 401(k) Plan for December 31, 2019 and 2018 were approximately $7.7 million and $6.3 million, respectively.

HealthAlliance also sponsors various defined contribution retirement plans for eligible participants. Total employer contributions for HealthAlliance were approximately $1.5 million and $1.4 million for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

WCHCC provides Other Postemployment Benefits ("OPEB") that provides basic medical and hospitalization plan coverage to eligible retirees through a single employer defined benefit plan. The plan does not issue its own stand-alone financial statements. Eligible retirees may only be covered under the indemnity plan of WCHCC. To qualify, employees and retirees hired before January 1, 2007 must (i) have at least five years of paid service with WCHCC (service prior to January 1, 1998 with the County counts towards the five-year requirement) and (ii) be eligible to receive a retirement allowance from a retirement system administered by the State of New York or one of its civil divisions. Employees hired on or after January 1, 2007 require 20 years of service to qualify for a post-retirement health benefit. Individual coverage is provided to certain retirees at no cost. Subsequent to December 31, 2014, certain retirees are required to contribute to the cost of this coverage. Retirees may elect family coverage at a cost of 20% of the difference between the premium equivalent cost of family and individual coverage. Approximately 76% of the participants have elected individual coverage as of December 13, 2019 and 2018.

The following employees were covered by the benefit terms at the measurement date as of January 1, 2019 and 2018:

	2019	2018
Retired employees	$ 1,759	$ 1,784
Active employees	5,137	5,206
	$ 6,896	$ 6,990

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, including assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. WCHCC's actuarial evaluations were performed on January 1, 2019 and 2018 and reported actuarial accrued liabilities of $331.8 million and $333.7 million, respectively, which are funded on a current basis.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Total OPEB Liability

WCHCC's total OPEB liabilities at the measurement date were determined by using an actuarial valuation as of January 1, 2019 and 2018. The actuarial valuations used the following actuarial assumptions:

Inflation rate	3.00% annually
Salary increases	3.00% annually
Discount rate	4.10% per annum (2019); 3.44% per annum (2018)
Healthcare cost trend rates	Pre-Medicare: 7.04% grading down to 3.85% over 16 years Medicare: 5.78% grading down to 4.18% over 16 years
Mortality improvement	NYSNA and CSEA: SOA RPH-2014 Adjusted to 2006 Blue Collar Headcount-weighted Mortality (adjusted (1.15)) with MP 2016 improvement scale adjusted NonRep: SOA RPH-2014 Adjusted to 2006 total Dataset Headcount-weighted Mortality (adjusted (1.15)) with MP 2016 improvement scale adjusted

The following table shows the components of WCHCC's annual OPEB cost for the years ended December 31, 2019 and 2018, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation (amounts in thousands).

	2019	2018
Beginning balance	$ 333,675	$ 331,855
Changes for the year:		
Service cost	5,099	4,952
Interest cost	11,415	12,447
Changes of benefits	1,242	-
Differences between expected and actual experience	(235)	(4,734)
Changes in assumptions	(5,392)	4,372
	12,129	17,037
Benefit payments	(14,053)	(15,217)
Net changes	(1,924)	1,820
Ending balance	$ 331,751	$ 333,675

Discount Rate

The discount rate used to calculate the total post-retirement liability was 4.10% and 3.44% for the years ended December 31, 2019 and 2018, respectively. The discount rate was based upon the 20-year high-quality municipal bond index at the measurement dates.

Discount Rate Sensitivity

WCHCC's total OPEB liability calculated using the respective discount rate, as well as what WCHCC's OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate as of December 31, 2019 and 2018 are as follows (amounts in thousands):

	2019		2018	
	Rate	Amount	Rate	Amount
1% decrease	3.10%	$ 369,658	2.44%	$ 379,022
Current discount rate	4.10%	331,751	3.44%	333,675
1% increase	5.10%	289,557	4.44%	296,171

Healthcare Cost Trend Rate Sensitivity

WCHCC's total OPEB liability calculated using the respective discount rate, as well as what WCHCC's OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate as of December 31, 2019 and 2018 are as follows (amounts in thousands):

	2019		2018	
	Rate	Amount	Rate	Amount
1% decrease	1.00%	$ 283,841	1.00%	$ 292,326
Healthcare cost trend rate	0.00%	331,751	0.00%	333,675
1% increase	1.00%	373,182	1.00%	384,438

OPEB Expense and Deferred Inflows of Resources

For the years ended December 31, 2019 and 2018, WCHCC recognized OPEB expense, including related changes in deferred inflows and outflows, of approximately $15.9 million and $17.0 million, respectively. The components of post-retirement related deferred outflows of resources and deferred inflows of resources at the measurement dates are as follows (amounts in thousands):

	2019	2018
Deferred outflows of resources		
Changes in assumptions	$ 2,497	$ 3,903
Contributions subsequent to measurement date	15,896	14,053
	$ 18,393	$ 17,956
Deferred inflows of resources		
Differences between expected and actual experience	$ 2,542	$ 3,550
Changes in assumptions	4,044	653
	$ 6,586	$ 4,203

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be reflected in salaries and benefits expense in the Statements of Revenues, Expenses, and Changes in Net Position as follows (amounts in thousands):

2020	$ (1,496)
2021	(1,406)
	$ (2,902)

HealthAlliance also sponsors frozen unfunded OPEB plans for certain employees. The liability for these plans was $1,870 and $2,005 as of December 31, 2019 and 2018, respectively.

NOTE 9 - SELF-INSURANCE LIABILITY

The following is the activity of the self-insurance liability for the years ended December 31, 2019 and 2018 (amounts in thousands):

	December 31, 2018	Additions	Reductions	December 31, 2019	Amounts due within one year
Workers' compensation self-insurance [a]	$ 25,082	$ 3,580	$ (4,042)	$ 24,620	$ 4,500
Malpractice self-insurance [b]	80,958	12,408	(10,175)	83,191	9,998
Health insurance [c]	7,491	119,884	(119,321)	8,054	8,054
Other self-insurance [d]	3,047	3,065	(922)	5,190	1,880
	$ 116,578	$ 138,937	$ (134,460)	$ 121,055	$ 24,432

	December 31, 2017	Additions	Reductions	December 31, 2018	Amounts due within one year
Workers' compensation self-insurance [a]	$ 20,353	$ 11,918	$ (7,189)	$ 25,082	$ 4,500
Malpractice self-insurance [b]	85,889	8,876	(13,807)	80,958	6,980
Health insurance [c]	4,985	109,459	(106,953)	7,491	7,491
Other self-insurance [d]	1,925	1,997	(875)	3,047	897
	$ 113,152	$ 132,250	$ (128,824)	$ 116,578	$ 19,868

[a] The Medical Center is self-insured for workers' compensation and has excess insurance coverage that attaches at $750,000 per occurrence with $1.0 million in annual aggregate coverage. As part of the Medical Center's workers' compensation self-insurance plan, the Medical Center obtains a semi-annual actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on the Medical Center's specific and industry-wide data.

The following represents information as it relates to the Medical Center's workers' compensation self-insurance plan as of December 31, 2019 and 2018 (amounts in thousands):

	2019	2018
Gross self-insurance liability	$ 21,981	$ 22,502
Present value of self-insurance liability	21,304	21,837
Discount factor	3.5%	3.5%

As part of Mid-Hudson Valley Staffco's workers' compensation self-insurance plan, Mid-Hudson Valley Staffco obtains a semi-annual actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on Mid-Hudson Valley Staffco's specific and industry-wide data.

The following represents information as it relates to Mid-Hudson Valley Staffco's workers' compensation self-insurance plan as of December 31, 2019 and 2018 (amounts in thousands):

	2019	2018
Gross self-insurance liability	$ 2,713	$ 2,655
Present value of self-insurance liability	3,316	3,245
Discount factor	3.5%	3.5%

All other Medical Center entities have workers' compensation coverage provided by a commercial insurance carrier under a claims-made basis and with no excess insurance coverage purchased.

HealthAlliance is insured under a retrospective premium policy through a commercial carrier.

(b) WCHCC Bermuda, a WCHCC captive insurance company, provides the Medical Center with professional liability insurance ("HPL") and general liability insurance ("GL"), and insures employed physicians' professional liability ("PPL"). Employed physicians not insured by WCHCC Bermuda maintain malpractice insurance coverage through commercial insurance carriers.

Outstanding projected liabilities are comprised of estimates of the ultimate case value (indemnity and expenses) established by an independent case adjuster, plus a provision for losses incurred, but not reported, based on the recommendations of an independent actuary using historical and industry data. WCHCC Bermuda's actuarial liabilities have been discounted at 3.5% at December 31, 2019 and 2018.

WCHCC Bermuda is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2019 and 2018, WCHCC Bermuda was required to maintain a minimum statutory capital and surplus (net position) of approximately $8.1 million and $8.0 million, respectively. As of December 31, 2019 and 2018, actual statutory capital and surplus (net position), which is included as part of net position - unrestricted on the Statements of Net Position, was approximately $101.6 million and $87.8 million, respectively.

HPL coverage is provided on an occurrence basis with a self-insured retention ("SIR") of $12.0 million in 2019 and 2018, for each and every claim with no aggregate limit. Excess commercial liability insurance policies attach above the SIR.

HealthAlliance purchases primary medical malpractice insurance coverage through a commercial carrier. Effective January 1, 2017, Kingston began operations serving as an off-shore captive insurance company for HealthAlliance. Operations of the captive for 2019 and 2018 were not deemed significant.

Excess commercial insurance policies attach above the captive self-insured retention. Claims in excess of insurance coverage have not been asserted against HealthAlliance.

(c) WCHCC is self-insured for health insurance for all its employees. Claims which have been incurred, and incurred but not reported represent a liability to WCHCC at December 31, 2019 and 2018 and, as such, liabilities have been included in the accompanying Statements of Net Position.

(d) Professional and general liability claims have been asserted against WCHCC 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 legal counsel to WCHCC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and other claims may arise. It is the opinion of management, in consultation with WCHCC's legal counsel, that the final disposition of such claims will not have a material adverse effect on WCHCC's financial position, results of operations, or liquidity.

During 2018, a mutual malpractice insurance plan that HealthAlliance held a policy with was sold. In connection with the sale, HealthAlliance received proceeds of approximately $8.7 million, which is reflected as gain on sale of investment in insurance company included in nonoperating activities in the 2018 Statement of Revenues, Expenses and Changes in Net Position.

NOTE 10 - OTHER LONG-TERM LIABILITIES

The following is the composition and activity of WCHCC's other long-term liabilities for the years ended December 31, 2019 and 2018 (amounts in thousands):

	December 31, 2018	Additions	Reductions	December 31, 2019	Amounts due within one year
Self-insurance liabilities (Note 9)	$ 116,578	$ 138,937	$ (134,460)	$ 121,055	$ 22,432
Third-party liabilities, net (Note 14)	56,884	51,912	(43,014)	65,782	35,554
Post-retirement health insurance (Note 8)	335,680	17,756	(19,815)	333,621	-
Net pension liability (Note 7)	29,752	69,327	(35,730)	63,349	-
Other liabilities	35,839	491,920	(403,401)	124,358	57,982
Deferred pension contributions (Note 7)	31,359	-	(5,190)	26,169	5,365
Total other long-term liabilities	$ 606,092	$ 769,852	$ (641,610)	$ 734,334	$ 123,333

	December 31, 2017	Additions	Reductions	December 31, 2018	Amounts due within one year
Self-insurance liabilities (Note 9)	$ 113,152	$ 132,250	$ (128,824)	$ 116,578	$ 19,868
Third-party liabilities, net (Note 14)	36,618	36,135	(15,869)	56,884	28,220
Post-retirement health insurance (Note 8)	334,009	21,771	(20,100)	335,680	-
Net pension liability (Note 7)	80,974	-	(51,222)	29,752	-
Other liabilities	19,265	211,405	(194,831)	35,839	27,983
Deferred pension contributions (Note 7)	36,381	-	(5,022)	31,359	5,190
Total other long-term liabilities	$ 620,399	$ 401,561	$ (415,868)	$ 606,092	$ 81,261

NOTE 11 - AFFILIATION AGREEMENT

WCHCC has an affiliation agreement with New York Medical College (the “College”), under the terms of which WCHCC pays the College for services. For the years ended December 31, 2019 and 2018, the College was paid approximately $14.7 million and $15.6 million, respectively, which is included in supplies and other expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. The affiliation agreement terminates in 2029, and automatically renews for an additional twelve year term.

NOTE 12 - OPERATING LEASES

WCHCC leases various equipment and facilities under operating leases expiring at various dates.

The following is a schedule by year for the next five years of future minimum lease payments and lease rental income under noncancelable operating leases as of December 31, 2019 that have initial or remaining lease terms in excess of one year (amounts in thousands):

	Rent expense	Rent income
2020	$ 14,923	$ 1,727
2021	12,404	1,428
2022	10,227	1,428
2023	7,253	1,099
2024	7,017	1,024
Thereafter	136,953	4,687

Total rental expense in 2019 and 2018 for all operating leases was approximately $20.7 million and $19.2 million, respectively. Total rental income in 2019 and 2018 for all operating leases was approximately $3.1 million and $3.3 million, respectively.

NOTE 13 - WESTCHESTER COUNTY RELATIONSHIP

In 1997, the State of New York adopted legislation that created WCHCC as a New York public benefit corporation effective January 1, 1998. At that time, the facilities and operations of WCHCC were transferred from the County to WCHCC pursuant to a long-term lease agreement. Subsequently, an Amended and Restated Lease Agreement (the "Lease") was consummated. The Lease is a 60 year (term ends 2058) real property lease for land and facilities with an option for extension.

During 2019 and 2018, WCHCC purchased services from the County of approximately $8.4 million and $9.1 million, respectively, which are included in supplies and other expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 14 - COMMITMENT AND CONTINGENCIES

Hospital Reimbursement

WCHCC has agreements with third-party payors that provide for payments to WCHCC at amounts different from its established rates. Estimated third-party payor liabilities at December 31, 2019 and 2018 were approximately $65.8 million and $56.9 million, respectively and were included in other long-term liabilities (Note 10). A summary of the payment arrangements follows:

Hospital Reimbursement - Medicare

Under the Medicare program, WCHCC receives reimbursement under a prospective payment system ("PPS") for inpatient and outpatient services. Under inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis-related group ("DRG"). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional outlier payments. Under outpatient PPS, services are paid based on service groups called ambulatory payment classifications ("APCs").

Hospital Reimbursement - Medicaid and Other Third-Party Payors

Medicaid, workers' compensation and no-fault payors pay rates that are promulgated by the New York State Department of Health ("Department of Health"). Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG. WCHCC is eligible to receive certain Disproportionate Share ("DSH") payments in recognition of the costs associated with the provision of care to uninsured patients. Funding for these payments is provided by local and federal sources.

All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations ("HMOs"), Preferred Provider Organizations ("PPOs"), and other managed care plans, negotiate payment rates directly with WCHCC. Such arrangements vary from DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at WCHCC's established charges.

NYS regulations provide for the distribution of funds from an indigent care pool which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the hospitals based on each hospital's level of bad debts and charity care in relation to all other hospitals. During the years ended December 31, 2019 and 2018, WCHCC received distributions of approximately $50.4 million and $30.9 million, respectively, from the indigent care pool, which are included in net patient service revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Both federal and New York state regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. WCHCC has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors and amounts due from the indigent care pool for such adjustments.

There are various proposals at the federal and NYS levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

WCHCC receives payments related to Medicaid services, including DSH, and other Medicare related reimbursements. Due to the fact that certain of these revenues may be subject to adjustment as a result of examination by government agencies, management has determined that not all of these receipts are realizable as of December 31, 2019 and 2018 and, therefore, have only been recognized as revenue when uncertainties over these amounts are mitigated.

Revenue from the Medicare and Medicaid (including DSH) programs accounted for approximately 26% and 25% (7% DSH), and 27% and 25% (8% DSH), respectively, of WCHCC's net patient service revenue for the years ended December 31, 2019 and 2018. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. WCHCC believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

Nursing Home Reimbursement

The Nursing Home has agreements with third-party payors, which provide for reimbursement to the Nursing Home at amounts different from its established charges for its skilled nursing unit. A summary of the basis of reimbursement with significant payors is as follows:

Medicaid

Net patient service revenue under the Medicaid program is based on a modified pricing system using the resource utilization group's patient classification system. Under this methodology, the Nursing Home is reimbursed at a predetermined rate depending on the intensity of the services rendered to residents regardless of the cost of delivering those services. Medicaid's predetermined rate is computed using cost report data from the facility's designated base year and elements from annual cost report filings. Management believes that its final Medicaid rates for the years ended December 31, 2019 and 2018 will not be significantly different from those recorded in the accompanying financial statements.

Medicare

Reimbursement for resident services under Part A of the Medicare program is based on the skilled nursing facility PPS. Under a PPS, the Nursing Home is paid a single per diem rate depending on the intensity of the services rendered to residents regardless of the cost of delivering those services that covers all routine, ancillary, and capital-related costs. The per diem payment is adjusted for each Medicare beneficiary based on his or her care needs as measured by the minimum data set assessment form. The Nursing Home also

receives reimbursement for certain ancillary services provided to its residents through Part B of the Medicare program.

Other Matters

A health care entity's revenues may be subject to adjustment as a result of examination by government agencies or contractors. The audit process and the resolution of significant related matters often are not finalized until several years after the services were rendered. Reasonable estimates of such adjustments are made to third-party revenue recognition in order to not recognize revenue that may not ultimately be realized. The delay between rendering services and reaching final settlement, as well as the complexities and ambiguities of billing and reimbursement regulations, makes it difficult to estimate net realizable third-party revenues. Actual results may differ significantly from those estimates.

Management recognizes revenues relating to third-party settlements and patient service revenues when the realization of such amounts are reasonably assured. Management makes a reasonable estimate of amounts that ultimately will be realized, considering, among other things, adjustments associated with regulatory reviews, audits, billing reviews, investigations, or other proceedings.

The operation of WCHCC's patient care services business is subject to federal and state laws prohibiting fraud by healthcare providers, including laws containing criminal provisions, which prohibit filing false claims or making false statements in order to receive payment or obtain certification under Medicare and Medicaid programs, or failing to refund overpayments or improper payments. Violation of these criminal provisions is a felony punishable by imprisonment and/or fines. WCHCC should also be subject to fines and treble damage claims if WCHCC knowingly filed a false claim or knowingly used false statements to obtain payment. State and federal governments are devoting increased attention and resources to anti-fraud initiatives against healthcare providers. The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 expanded the penalties for healthcare fraud, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs. WCHCC has policies and procedures that it believes are sufficient to ensure that it operates in substantial compliance with these anti-fraud and abuse requirements.

Various suits and claims arising in the normal course of operations are pending. While the outcome of these suits and claims cannot be determined at this time, management believes that such suits and claims are either specifically covered by insurance or the final disposition of such claims will not have a material effect on WCHCC's financial position, results of operations or liquidity.

Delivery System Reform Incentive Program

WCHCC is leading one of the Performing Provider Systems ("PPS") in New York State that has implemented the Delivery System Reform Incentive Program ("DSRIP"). WCHCC recorded approximately $38.7 million and $48.4 million, for the years ended December 31, 2019 and 2018, respectively, under DSRIP in other operating revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The WMCHealth PPS involves partnerships with over 200 organizations throughout its primary and secondary service areas. These include other hospitals, physician groups, community health centers, behavioral health providers, county health and mental health departments and community-based organizations. The DSRIP Program goals include more efficient and effective delivery of care to Medicaid recipients and the reduction of unnecessary emergency room visits, hospitalizations and readmissions.

The DSRIP program is scheduled to terminate on March 31, 2020.

NOTE 15 - LINE OF CREDIT

WCHCC has a working capital revolving line of credit from a financial institution. The funds available for the line of credit are in the amount of $70.0 million and $35.0 million at December 2019 and 2018, respectively. The line of credit extends through October 24, 2020 and may be renewed. Any outstanding balance may be converted to a three-year term loan. There was no outstanding line of credit balance as of December 31, 2019 and 2018.

NOTE 16 - BON SECOURS CHARITY

Charity is a discretely presented component unit of WCHCC. Charity's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by GASB and the provisions of the American Institute of Certified Public Accountants *Audit and Accounting Guide, Health Care Entities,* to the extent that they do not conflict with GASB.

At December 31, 2019 and 2018, Charity had bonds outstanding of $122.3 million related to the Bon Secours Charity Health System, Inc. Taxable Bonds, Series 2015, consisting of $38.6 million bonds with an interest rate of 5.25% and maturing on November 1, 2025 and $83.7 million bonds with an interest rate of 6.25% and maturing on November 1, 2035. WCHCC guarantees the scheduled payments of principal and interest on the Charity Series 2015 Bonds. The proceeds of the bonds were used to repay $120.0 million in amounts due to BSMH.

On January 19, 2018, Charity obtained a $20.0 million line of credit for general corporate purposes from a financial institution. The line of credit extends through January 15, 2021. Charity did not draw on the line of credit during the years ended December 31, 2019 and 2018. WCHCC guarantees the debt service on the Charity line of credit.

During the years ended December 31, 2019 and 2018, Charity incurred approximately $24.4 million and $23.5 million of expenses to WCHCC, respectively, for services provided under a management service agreement and for other contracted services.

NOTE 17 - SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the financial implications that may impact WCHCC. Due to the many uncertainties associated with the disease, management has been unable to determine the financial impact.

REQUIRED SUPPLEMENTARY INFORMATION

Westchester County Health Care Corporation

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

December 31, 2019 and 2018
(amounts in thousands)

Schedule of Proportionate Share of the Net Pension Liability*

Reporting fiscal year (measurement date, March 31,)	WCHCC's proportion of the net pension liability		WCHCC's covered employee payroll	WCHCC's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
	%	$			
2019 (2019)	0.890%	$ 63,348	$ 285,948	22.15%	96.27%
2018 (2018)	0.922%	$ 29,752	$ 285,990	10.40%	98.24%
2017 (2017)	0.860%	$ 80,974	$ 292,341	27.70%	94.70%
2016 (2016)	0.880%	$ 141,496	$ 259,948	54.43%	90.70%
2015 (2015)	0.890%	$ 30,029	$ 249,512	12.04%	97.90%

Schedule of Employer Contributions*

Reporting fiscal year	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	WCHCC's covered employee payroll	Contributions as a percentage of employee covered payroll
2019	$ 35,730	$ 35,730	$ -	$ 285,948	12.50%
2018	$ 36,422	$ 36,422	$ -	$ 285,990	12.74%
2017	$ 34,183	$ 34,183	$ -	$ 292,341	11.69%
2016	$ 39,349	$ 39,349	$ -	$ 259,948	15.14%
2015	$ 41,017	$ 41,017	$ -	$ 249,512	16.44%

*These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Westchester County Health Care Corporation

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

December 31, 2019 and 2018
(amounts in thousands)

Schedule of Funding Progress - Other Postemployment Benefits

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrual liability (AAL) initial entry age (b)	Unfunded (AAL) (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	(UAAL) as a percentage of covered payroll ((b-a)/c)
01/01/19	$ -	$ 331,751	$ 331,751	0.0%	$ 227,408	145.8%
01/01/18	$ -	$ 333,675	$ 333,675	0.0%	$ 219,100	152.3%
01/01/17	$ -	$ 331,855	$ 331,855	0.0%	$ 210,755	157.5%
01/01/16	$ -	$ 328,464	$ 328,464	0.0%	$ 199,357	164.8%
01/01/15	$ -	$ 300,216	$ 300,216	0.0%	$ 188,736	159.1%
01/01/14	$ -	$ 297,146	$ 297,146	0.0%	$ 179,466	165.6%
01/01/13	$ -	$ 276,824	$ 276,824	0.0%	$ 174,737	158.4%
01/01/12	$ -	$ 281,128	$ 281,128	0.0%	$ 184,522	152.4%

The above represents the valuation of the plan as of January 1.

Westchester County Health Care Corporation

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

December 31, 2019 and 2018
(amounts in thousands)

	2019	2018	2017	2016
Total OPEB Liability				
Service cost	$ 5,099	$ 4,952	$ 4,940	$ 4,705
Interest	11,415	12,447	11,647	11,598
Change of benefit terms	1,242	-	-	-
Differences between expected and actual experience	(235)	(4,734)	-	
Changes in assumptions	(5,392)	4,372	1,250	(2,615)
	12,129	17,037	17,837	13,688
Benefit payments	(14,053)	(15,217)	(14,446)	(12,480)
Net change in total OPEB liability	(1,924)	1,820	3,391	1,208
Total OPEB liability - beginning	333,675	331,855	328,464	327,256
Total OPEB liability - ending	$ 331,751	$ 333,675	$ 331,855	$ 328,464
Covered payroll	$ 227,408	$ 219,100	$ 210,755	$ 199,375
Total OPEB liability as a percentage of covered-employee payroll	145.88%	152.59%	157.46%	164.76%

Notes to Schedules

Changes to benefit terms: No changes to the terms of the benefits provided.

Changes of assumptions: The following are the discount rates for each period presented above:

2019	4.10%
2018	3.44%
2017	3.78%
2016	3.57%

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT

SCHEDULE OF DEFINITIONS

The following terms as used in the Offering Memorandum for the "Series 2020 Bonds" and in APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT" have the following meanings:

"Accountant" means an independent certified public accountant or a firm of independent certified public accountants selected by the Corporation.

"Act" means the Enabling Act.

"Additional Bonds" means any bonds issued by the Issuer pursuant to Section 214 of the Indenture.

"Additional Equipment" means any additional materials, machinery, equipment, fixtures or furnishings acquired with the proceeds of a series of Additional Bonds, or intended to be acquired with any payment which the Corporation incurred in anticipation of the issuance of such Additional Bonds and for which the Corporation is reimbursed from the proceeds of such Additional Bonds, and such substitutions and replacements therefor and additions thereto as may be made from time to time pursuant to the Loan Agreement.

"Additional Facility" means any buildings (or portions thereof), or improvements thereto, (A) located on the Land or Additional Land, (B) financed or refinanced with the proceeds of the sale of a series of Additional Bonds or any payment which the Corporation incurred in anticipation of the issuance of such Additional Bonds and for which the Corporation is reimbursed from the proceeds of such Additional Bonds, and (C) not constituting a part of the Additional Equipment, all as they may exist from time to time.

"Additional Land" means any interest in land acquired by the Corporation in connection with the issuance of any series of Additional Bonds.

"Additional Project" means the purposes for which any series of Additional Bonds may be issued.

"Additional Project Facility" means any Additional Land, Additional Facility or Additional Equipment acquired by the Corporation in connection with the issuance of any series of Additional Bonds.

"Applicable Laws" means all material and applicable statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof (the applicability of such statutes, codes, laws, acts, ordinances, orders, rules, regulations, directions and requirements to be determined both as if the Issuer were the owner of the Project Facility and as if the Corporation and not the Issuer were the owner of the Project Facility), including but not limited to (1) applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (2) restrictions, conditions or other requirements applicable to any permits, licenses or

other governmental authorizations issued with respect to the foregoing, and (3) judgments, decrees or injunctions issued by any court or other judicial or quasi-judicial Governmental Authority.

"Application" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Authorized Denominations" means: (A), with respect to the Series 2020 Bonds, $5,000 and any integral multiple of $5,000 in excess thereof, except that, if as a result of a redemption, partially redeemed Series 2020 Bonds cannot be issued in such denominations, such partially redeemed Series 2020 Bonds shall be reissued in such other denominations to the extent required to effect such redemption; and (B) with respect to any series of Additional Bonds, the authorized denominations for such series of Additional Bonds as set forth in the supplemental indenture relating thereto.

"Authorized Investments" means any of the following: (A) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; (B) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (1) U.S. Export-Import Bank ("Eximbank"), (2) Farmers Home Administration ("FmHA"), (3) Federal Financing Bank, (4) Federal Housing Administration Debentures ("FHA"), (5) General Services Administration, (6) Government National Mortgage Association ("GNMA" or "Ginnie Mae"), (7) U.S. Maritime Administration, and (8) U.S. Department of Housing and Urban Development ("HUD"); (C) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (1) Federal Home Loan Bank System, (2) Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), (3) Federal National Mortgage Association ("FNMA" or "Fannie Mae"), (4) Student Loan Marketing Association ("SLMA" or "Sallie Mae"), (5) Resolution Funding Corp. ("REFCORP") obligations, and (6) Farm Credit System; (D) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G", "AAA-m"; or "AA-m" and if rated by Moody's rated "Aaa", "Aal" or "Aa2"; (E) certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral; (F) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF; (G) investment agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Trustee; (H) commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P; (I) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies; (J) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and =guaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P; and (K) repurchase agreements for 30 days or less must follow the following criteria. The criteria is described as follows: (1) Repos must be between the municipal entity and a dealer bank or securities firm (a) primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or (b) banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services; (2) the written repo contract must include the following: (a) securities which are acceptable for transfer are: (i) direct U.S. governments, or (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC), (b) the term of the repo may be up to 30 days, (c) the collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities), (d)

valuation of collateral - the securities must be valued weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%, and (3) legal opinion which must be delivered to the municipal entity: (a) repo meets guidelines under state law for legal investment of public funds.

"Authorized Representative" means the Person or Persons at the time designated to act on behalf of the Issuer or the Corporation, as the case may be, by written certificate furnished to the Trustee containing the specimen signature of each such Person and signed on behalf of (A) the Issuer by its Chairman or Vice-Chairman, or such other person as may be authorized by resolution of the Issuer to act on behalf of the Issuer, (B) the Corporation by its Chief Executive Officer or Chief Financial Officer, or such other person as may be authorized by the board of trustees of the Corporation to act on behalf of the Corporation and (C) the Trustee by any Vice President, Assistant Vice President or Trust Officer, or such other person as may be authorized by the board of directors of the Trustee to act on behalf of the Trustee.

"Bankruptcy Code" means the United States Bankruptcy Code, constituting Title 11 of the United States Code, as amended from time to time, and any successor statute.

"Beneficial Owner" means, with respect to a Bond, a Person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

"Beneficial Ownership Interest" means the beneficial right to receive payments and notices with respect to the Bonds which are held by the Depository under a Book Entry System.

"Bond" or "Bonds" means, collectively, (A) the Series 2020 Bonds and (B) any Additional Bonds.

"Bond Counsel" means the law firm of Katten Muchin Rosenman LLP, New York, New York or such other attorney or firm of attorneys located in the State whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and who are acceptable to the Issuer.

"Bond Details" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Bond Fund" means the fund so designated established pursuant to Section 401(A)(2) of the Indenture.

"Bond Insurance Policy" or "Policy" means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Bonds when due.

"Bond Insurer" or "Insurer" means, with respect to the certain maturities of the Series 2020 Bonds, Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Bond Payment Date" means each Interest Payment Date and each date on which principal or interest or premium, if any, or a Sinking Fund Payment, shall be payable on the Bonds according to their terms and the terms of the Indenture, including without limitation scheduled mandatory Redemption Dates,

unscheduled mandatory Redemption Dates, dates of acceleration of the Bonds pursuant to Section 602 of the Indenture, optional Redemption Dates and Stated Maturity, so long as any Bonds shall be Outstanding.

"Bond Proceeds" means (A), with respect to the Series 2020 Bonds, the proceeds of the sale of the Series 2020 Bonds, including any accrued interest, paid to the Trustee on behalf of the Issuer by the Underwriter as the purchase price of the Series 2020 Bonds, and (B), with respect to any series of Additional Bonds, the proceeds of the sale of such series of Additional Bonds, including any accrued interest, paid to the Trustee on behalf of the Issuer by the purchasers of such series of Additional Bonds as the purchase price of such series of Additional Bonds.

"Bond Purchase Agreement" means (A), with respect to the Series 2020 Bonds, the Series 2020 Bond Purchase Agreement, and (B) with respect to any series of Additional Bonds, any similar document executed by the Issuer and/or the Corporation in connection with the issuance and sale of such series of Additional Bonds.

"Bond Rate" means, with respect to any Bond, the applicable rate of interest on such Bond, as set forth in such Bond.

"Bond Register" means the register maintained by the Bond Registrar in which, subject to such reasonable regulations as the Issuer, the Trustee or the Bond Registrar may prescribe, shall provide for the registration of the Bonds and for the registration of transfers of the Bonds.

"Bond Registrar" means the Trustee, acting in its capacity as bond registrar under the Indenture, and its successors and assigns as bond registrar under the Indenture.

"Bond Resolution" means (A), with respect to the Series 2020 Bonds, the Series 2020 Bond Resolution and (B) with respect to any series of Additional Bonds, any resolution adopted by the members of the board of directors of the Issuer authorizing the issuance of such series of Additional Bonds.

"Bondholder" or "Holder" or "Owner of the Bonds" means the registered owner of any Bond, as indicated on the bond register maintained by the Bond Registrar, except that wherever appropriate the term "owners" shall mean the owners of the Bonds for federal income tax purposes.

"Book Entry Bonds" means Bonds held in Book Entry Form with respect to which the provisions of Section 213 of the Indenture shall apply.

"Book Entry Form" or "Book Entry System" means, with respect to the Bonds, a form or system, as applicable, under which (A) the Beneficial Ownership Interests may be transferred only through a book entry and (B) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Bondholder, with the physical Bond certificates "immobilized" in the custody of the Depository or a custodian on behalf of the Depository. The Book Entry System which is maintained by and the responsibility of the Depository (and which is not maintained by or the responsibility of the Issuer or the Trustee) is the record that identifies, and records the transfer of the interests of, the owners of book entry interests in the Bonds.

"Business Day" means any day of the year other than (A) a Saturday or Sunday, (B) a day on which the New York Stock Exchange is closed or (C) a day on which commercial banks in New York, New York, or the city or cities in which the Office of the Trustee is located, are authorized or required by law, regulation or executive order to close.

"Certificate of Authentication" means the certificate of authentication in substantially the form attached to the form of the Series 2020 Bonds attached as Schedule I to the Indenture.

"Closing Date" means (A), with respect to the Series 2020 Bonds, the date on which authenticated Series 2020 Bonds are delivered to or upon the order of the Underwriter and payment is received therefor by the Trustee on behalf of the Issuer, and (B), with respect to any series of Additional Bonds, the date on which such Additional Bonds of such series are authenticated and delivered to the purchaser thereof and payment therefor is received by the Trustee on behalf of the Issuer.

"Code" means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of said Code, and the applicable regulations (whether proposed, temporary or final) of the United States Treasury Department promulgated under said Code and the statutory predecessor of said Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

"Completion Date" means (A) with respect to the Series 2020 Project, the date of substantial completion of the undertaking of the Series 2020 Project, as evidenced in the manner provided in Section 4.4 of the Loan Agreement and (B), with respect to any Additional Project, the date of substantial completion of the undertaking of such Additional Project, as evidenced in the manner provided in Section 4.4 of the Loan Agreement.

"Condemnation" means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any Governmental Authority.

"Construction Period" means the Project Period.

"Continuing Disclosure Agreement" means (A), with respect to the Series 2020 Bonds, the Initial Continuing Disclosure Agreement and (B), with respect to any series of Additional Bonds, any similar document executed by the Corporation in connection with the issuance of such series of Additional Bonds.

"Corporation" means Westchester County Health Care Corporation, a New York public benefit corporation, and its successors and assigns, to the extent permitted by Section 8.3 of the Loan Agreement.

"Cost of the Project" means (A), with respect to the Series 2020 Project, all those costs and items of expense relating thereto incurred subsequent to the Inducement Date, and costs which the Corporation incurred prior to the Inducement Date with respect to the Series 2020 Project in anticipation of the issuance of the Series 2020 Bonds and for which the Corporation may be reimbursed from proceeds of the Series 2020 Bonds pursuant to the provisions of the Initial Tax Certificate, and (B), with respect to any Additional Project, all those costs and items of expense relating thereto, including costs which the Corporation incurred with respect to such Additional Project in anticipation of the issuance of the related series of Additional Bonds and for which the Corporation will be reimbursed from proceeds of the related series of Additional Bonds.

"County" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Debt Service Payment" means, with respect to any Bond Payment Date, (A) the interest payable on the Bonds on such Bond Payment Date, plus (B) the principal, if any, payable on the Bonds on such Bond Payment Date, plus (C) the premium, if any, payable on the Bonds on such Bond Payment Date, plus (D) the Sinking Fund Payments, if any, payable on the Bonds on such Bond Payment Date.

"Default Interest Rate" means the rate of interest equal to fifteen percent (15%) per annum, or the maximum permitted by law, whichever is less.

"Defaulted Payments" shall have the meaning ascribed to such term in Section 207(C) of the Indenture.

"Defeasance Escrow Agreement" shall mean that certain letter of instructions from the Corporation and acknowledged by the Prior Trustee, pursuant to which an escrow deposit derived from a portion of the sale of the Series 2020 Bonds and other available moneys (the "Defeasance Escrow Deposit") will be made with the Prior Trustee, in an amount sufficient to enable the Prior Trustee to defease the Refunded Bonds in full.

"Defeasance Obligations" means (A) cash, or (B) direct obligations of the United States of America or of any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States, including, but not limited to, United States Treasury obligations.

"Depository" means, initially, 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 securities depository designated in any supplemental resolution of the Issuer to serve as securities depository for the Bonds that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Book Entry Bonds.

"Depository Letter" means the Blanket Issuer Letter of Representations of the Issuer, dated March 14, 2013.

"Direct Participant" means a Participant as defined in the Depository Letter.

"Enabling Act" means Section 1411 of the Not-For-Profit Corporation Law of the State of New York, as amended.

"Equipment" means, collectively, the Initial Equipment and any Additional Equipment.

"Event of Default" means (A) with respect to the Indenture, any of those events defined as an Event of Default by the terms of Article VI of the Indenture, (B) with respect to the Loan Agreement, any of those events defined as an Event of Default by the terms of Article X of the Loan Agreement, and (C) with respect to any other Financing Document, any of those events defined as an Event of Default by the terms thereof.

"Extraordinary Services" and "Extraordinary Expenses" means all reasonable services rendered and all reasonable expenses incurred by the Trustee or any paying agent under the Indenture, other than Ordinary Services and Ordinary Expenses, including, but not limited to, reasonable attorneys fees and any services rendered and any expenses incurred with respect to an Event of Default or with respect to the occurrence of an event which upon the giving of notice or the passage of time would ripen into an Event of Default under any of the Financing Documents.

"Facility" means the Initial Facility and any Additional Facilities.

"Final Maturity" means, with respect to any particular Bond, the final Stated Maturity of the principal due on such Bond, unless such Bond is called for redemption in whole prior to such date, in which case any such term shall mean the Redemption Date relating to such Bond.

"Financing Documents" means (A), with respect to the Series 2020 Bonds, the Initial Financing Documents and (B), with respect to any series of Additional Bonds, any similar documents executed by the Corporation and/or the Issuer in connection with the issuance of such series of Additional Bonds.

"Financing Statements" means any and all financing statements (including continuation statements) or other instruments filed or recorded from time to time to perfect the security interests created in the Financing Documents.

"Fund" means any Fund designated and created pursuant to Section 401 of the Indenture.

"Governmental Authority" means the United States of America, the State, any political subdivision thereof, any other state and any agency, department, commission, board, bureau or instrumentality of any of them.

"Gross Proceeds" means one hundred percent (100%) of the proceeds of the transaction with respect to which such term is used, including, but not limited to, the settlement of any insurance claim or Condemnation award.

"Holder" or "holder", when used with respect to a Bond, means Bondholder.

"Immediate Notice" means same-day notice by telephone, telecopy or telex, followed by prompt written confirmation sent by overnight delivery.

"Indebtedness" means (A) the payment of the Debt Service Payments on the Bonds according to their tenor and effect, (B) all other payments due from the Corporation or the Issuer to the Trustee pursuant to any Financing Document, (C) the performance and observance by the Issuer and the Corporation of all of the covenants, agreements, representations and warranties made for the benefit of the Trustee pursuant to any Financing Document, (D) the monetary obligations of the Corporation to the Issuer and its members, directors, officers, agents, servants and employees under the Loan Agreement and the other Financing Documents, and (E) all interest accruing on any of the foregoing.

"Indemnified Parties" shall mean the Trustee, the Issuer, the Underwriter and the payee and holder of any Series 2020 Bond.

"Indenture" means the trust indenture dated as of September 1, 2020 by and between the Issuer and the Trustee, as said trust indenture may be amended or supplemented from time to time.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and not a full-time employee of the Corporation or the Issuer.

"Indirect Participant" means a Person utilizing the Book Entry System of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

"Information Return" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Interest Payment Date" means (A) with respect to the Series 2020 Bonds, May 1 and November 1 of each year, commencing November 1, 2020, and (B) with respect to any Additional Bonds, the Stated Maturity of each installment of interest on such Additional Bonds, as set forth in the supplemental Indenture authorizing the issuance of such series of Additional Bonds. In any case, the final Interest Payment Date of any series of the Bonds shall be the Maturity Date relating thereto.

"Insured Bonds" means all of the Series 2020 Bonds.

"Insured Bondholder" means any Holder of the Insured Bonds.

"Issuer" means (A) Westchester County Local Development Corporation and its successors and assigns, and (B) any public instrumentality or political subdivision resulting from or surviving any consolidation or merger to which Westchester County Local Development Corporation or its successors or assigns may be a party.

"Land" means the Series 2020 Land and any Additional Land.

"Lien" means any interest in Property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, security agreement, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics', materialmen's, warehousemen's and carriers' liens and other similar encumbrances affecting real property. For purposes hereof, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Lien Law" means the Lien Law of the State of New York.

"Loan" shall mean the loan made by the Issuer to the Corporation pursuant to the Loan Agreement.

"Loan Agreement" means the Loan Agreement dated as of September 1, 2020 by and between the Issuer and the Corporation, as said Loan Agreement may be amended or supplemented from time to time.

"Loan Payments" means the amounts required to be paid by the Corporation pursuant to the provisions of Section 5.1 of the Loan Agreement.

"Master Indenture" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Master Trust Indenture" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Master Trustee" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Maturity Date" means, with respect to any Bond, the final Stated Maturity of the principal of such Bond.

"Member" shall have the meaning given in the first paragraph of the Loan Agreement.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns.

"MTI Supplement" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Net Proceeds" means so much of the Gross Proceeds with respect to which that term is used as remain after payment of all fees for services, expenses, costs and taxes (including attorneys' fees) incurred in obtaining such Gross Proceeds.

"Obligations" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Office of the Trustee" means the corporate trust office of the Trustee specified in Section 1103 of the Indenture, or such other address as the Trustee shall designate pursuant to Section 1103 of the Indenture.

"Offering Memorandum" means (A), with respect to the Series 2020 Bonds, the Series 2020 Offering Memorandum, and (B) with respect to any series of Additional Bonds, any similar document approved by the Issuer and the Corporation in connection with the sale by the Underwriter of the related series of Additional Bonds.

"Optional Redemption Premium" means the premium payable upon an optional redemption of the Bonds, as determined pursuant to Section 301(A) of the Indenture.

"Ordinary Services" and "Ordinary Expenses" means those reasonable services normally rendered with those reasonable expenses, including reasonable attorneys' fees, normally incurred by a trustee or a paying agent, as the case may be, under instruments similar to the Indenture.

"Outstanding" means, when used with reference to the Bonds as of any date, all Bonds which have been duly authenticated and delivered by the Trustee under the Indenture, except:

(A) Bonds theretofore canceled or deemed canceled by the Trustee or theretofore delivered to the Trustee for cancellation;

(B) Bonds for the payment or redemption of which moneys or Defeasance Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or Redemption Date of any such Bonds) in accordance with the Indenture (whether upon or prior to the maturity or Redemption Date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form and substance to the Trustee shall have been filed with the Trustee; and

(C) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered under the Indenture.

If the Indenture shall be discharged pursuant to Article X thereof, no Bonds shall be deemed to be Outstanding within the meaning of this provision.

"Owner" or "owner", when used with respect to a Bond, means the Registered Owner of such Bond, except that wherever appropriate the term "Owner" shall mean the owner of such Bond for federal income tax purposes.

"Participant" shall have the meaning assigned to such term in Section 213(B) of the Indenture.

"Paying Agent" means the Trustee, acting as such, and any additional paying agent for the Bonds appointed pursuant to Article VII of the Indenture, their respective successors and any other corporation that may at any time be substituted in their respective places pursuant to the Indenture.

"Permitted Encumbrances" means (A) utility, access and other easements, rights of way, restrictions, encroachments and exceptions that benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B) mechanics', materialmen's, warehousemen's, carriers' and other similar Liens, (C) Liens for taxes, assessments and utility charges (1)

to the extent permitted by Section 6.2(B) of the Loan Agreement, or (2) at the time not delinquent, (D) any Lien on the Project Facility obtained through any Financing Document, (E) any Lien on the Project Facility in favor of the Trustee, (F) any Lien on the Project Facility approved or granted by the Corporation, and (G) any Permitted Lien under the Master Indenture.

"Permitted Liens" shall have the meaning set forth in the Master Indenture.

"Person" means an individual, partnership, corporation, limited liability company, trust, unincorporated organization or Governmental Authority.

"Plans and Specifications" means: (A) with respect to the Series 2020 Project, the description of the Series 2020 Facility appearing in the fourth recital clause to the Indenture and the Loan Agreement; and (B) with respect to any Additional Project, (1) as to the Issuer, the description of such Additional Project appearing in the Issuer's preliminary inducement resolution relating thereto, and (2) as to the Trustee, the plans and specifications for such Additional Project prepared by the Corporation, and all amendments and modifications thereof made by approved change orders; and, if an item for the construction of the Additional Facility is not specifically detailed in the aforementioned plans and specifications, but rather is described by way of manufacturer's or supplier's or contractor's shop drawings, catalog references or similar descriptions, the term also includes such shop drawings, catalog references and descriptions.

"Predecessor Bonds" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this definition, any Bond authenticated and delivered under Section 205 of the Indenture in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

"Preliminary Offering Memorandum" means (A), with respect to the Series 2020 Bonds, the Series 2020 Preliminary Offering Memorandum, and (B) with respect to any series of Additional Bonds, any similar document approved by the Issuer and the Corporation for use in connection with the issuance of the related series of Additional Bonds.

"Principal Payment Date" means (A) with respect to the Series 2020 Bonds, each Interest Payment Date on which a Sinking Fund Payment is due on the Bonds, and the Maturity Date of each of the Series 2020 Bonds, and (B) with respect to any Additional Bonds, the Stated Maturity of each installment of principal due on such Additional Bonds.

"Prior Trustee" shall mean U.S. Bank National Trustee, as trustee for the Refunded Bonds.

"Project" means (A), with respect to the Series 2020 Bonds, the Series 2020 Project, and (B), with respect to any series of Additional Bonds, the Additional Project with respect to which such series of Additional Bonds were issued.

"Project Facility" means, collectively, the Series 2020 Facility and all Additional Project Facilities.

"Project Fund" means the fund so designated established pursuant to Section 401(A)(1) of the Indenture.

"Project Period" means with respect to the Series 2020 Project or any Additional Project, as the case may be, the period (A) beginning on the Inducement Date relating thereto and (B) ending on the Completion Date relating thereto.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Rating Agency" means Moody's, if the Bonds are rated by Moody's at the time, and S&P, if the Bonds are rated by S&P at the time, and their successors and assigns.

"Rebate Amount" shall have the meaning assigned to such term in the Tax Certificate.

"Rebate Fund" means the fund so designated established pursuant to Section 401(A)(3) of the Indenture.

"Record Date" means either a Regular Record Date or a Special Record Date.

"Redemption Date" means, when used with respect to a Bond, the date upon which a Bond is scheduled to be redeemed pursuant to the Indenture.

"Redemption Price" means, when used with respect to a Bond, the principal amount thereof plus the applicable premium, if any, payable upon the prior redemption thereof pursuant to the provisions of the Indenture and such Bond.

"Refunded Bonds" shall mean all or a portion of the Corporation's Revenue Bonds Series 2000A Senior Lien, the Series 2010C-2 (Tax-Exempt), the Series 2010D (Taxable), the Series 2011A (Tax-Exempt) – Senior Lien and the Series 2011B (Tax-Exempt) – Senior Lien to be refunded with a portion of the proceeds of the Series 2020 Bonds.

"Regular Record Date" means, with respect to the interest and any Sinking Fund Payment or principal payment due on the Bonds on or prior to maturity payable on any Bond on any Interest Payment Date, the fifteenth (15th) day (whether or not a Business Day) of the calendar month preceding the calendar month in which such Interest Payment Date occurs.

"Request for Disbursement" means a request from the Corporation, as agent of the Issuer, signed by an Authorized Representative of the Corporation, stating the amount of the disbursement sought and containing the statements, representations and other items required by Article IV of the Indenture and by Section 4.3 of the Loan Agreement.

"Requirement" or "Local Requirement" means any law, ordinance, order, rule or regulation of a Governmental Authority.

"S&P" means S&P Global Ratings, a business of Standard & Poor's Financial Services, LLC, and its successors and assigns.

"Securities Laws" means the Securities Act of 1933, as amended, and all other securities laws of the United States of America or the State to the extent that such laws may now or hereafter be applicable to or affect the issuance, sale and delivery of the Bonds and any transfer or resale thereof.

"SEQRA" means Article 8 of the Environmental Conservation Law of the State and the statewide and local regulations thereunder.

"Series 2020 Bond Purchase Agreement" means the bond purchase agreement dated August 27, 2020 by and among the Underwriter, the Issuer and the Corporation relating to the purchase of the Series

2020 Bonds by the Underwriter, as said bond purchase agreement may be amended or supplemented from time to time.

"Series 2020 Bond Resolution" means the resolution of the members of the board of directors of the Issuer duly adopted on August 20, 2020 authorizing the Issuer to undertake the Series 2020 Project, to issue and sell the Series 2020 Bonds and to execute and deliver the Series 2020 Financing Documents to which the Issuer is a party.

"Series 2020 Bonds" means the Issuer's Revenue Bonds, Series 2020 (Taxable) (Westchester Medical Center Obligated Group Project) in the aggregate principal amount of $300,000,000 issued pursuant to the Series 2020 Bond Resolution and Article II of the Indenture and sold to the Underwriter pursuant to the provisions of the Series 2020 Bond Purchase Agreement, in substantially the form attached to the Indenture as Schedule I thereto, and any Series 2020 Bonds issued in exchange or substitution therefor."

"Series 2020 Continuing Disclosure Agreement" means the continuing disclosure agreement dated as of September 1, 2020 by and between the Corporation and the Trustee relating to the Series 2020 Bonds, as said continuing disclosure agreement may be amended or supplemented from time to time.

"Series 2020 Depository Letter" means the Blanket Letter of Representations by and among the Issuer, the Trustee and the Depository relating to the Series 2020 Bonds, and any amendments or supplements thereto entered into with respect thereto, and any amendments or supplements thereto entered into with respect thereto.

"Series 2020 Equipment" means all materials, machinery, equipment, fixtures or furnishings acquired or intended to be acquired with the proceeds of the Series 2020 Bonds, or acquired with any payment which the Corporation incurred in anticipation of the issuance of the Series 2020 Bonds and for which the Corporation is or will be reimbursed from the proceeds of the Series 2020 Bonds, and such substitutions and replacements therefor and additions thereto as may be made from time to time pursuant to the Loan Agreement, including, without limitation, all of the Property described in Exhibit B attached to the Loan Agreement.

"Series 2020 Facility" means all buildings (or portions thereof), improvements, structures and other related facilities, and improvements thereto, (A) located on the Campus, (B) financed or refinanced with the proceeds of the sale of the Series 2020 Bonds or any payment which the Corporation incurred in anticipation of the issuance of the Series 2020 Bonds and for which the Corporation is or will be reimbursed from the proceeds of the Series 2020 Bonds or any payment made by the Corporation pursuant to Section 4.5 of the Loan Agreement, and (C) not constituting a part of the Series 2020 Equipment, all as they may exist from time to time.

"Series 2020 Financing Documents" means the Series 2020 Bonds, the Indenture, the Loan Agreement, the Master Trust Indenture and any Supplement to the Master Trust Indenture, the Series 2020 Underwriter Documents and any other document now or hereafter executed by the Issuer or the Corporation in favor of the Holders of the Series 2020 Bonds or the Trustee which affects the rights of the Holders of the Series 2020 Bonds or the Trustee in or to the Series 2020 Facility, in whole or in part, or which secures or guarantees any sum due under the Series 2020 Bonds or any other Series 2020 Financing Document, each as amended from time to time, and all documents related thereto and executed in connection therewith.

"Series 2020 Obligation" or "2020 Obligation" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Series 2020 Offering Memorandum" means the offering memorandum delivered in connection with the sale of the Series 2020 Bonds by the Underwriter.

"Series 2020 Preliminary Offering Memorandum" means the preliminary offering memorandum delivered in connection with the sale of the Series 2020 Bonds by the Underwriter.

"Series 2020 Project" shall have the meaning assigned to such term in the recitals to the Indenture and the Loan Agreement.

"Series 2020 Project Account" means the account so designated within the Project Fund established pursuant to Section 401(A)(1)(a) of the Indenture.

"*Series 2020 Project Facility*" means, collectively, the Series 2020 Land, the Series 2020 Facility and the Series 2020 Equipment.

"Series 2020 Underwriter Documents" means the Series 2020 Bond Purchase Agreement, the Series 2020 Continuing Disclosure Agreement, the Series 2020 Preliminary Offering Memorandum, the Series 2020 Offering Memorandum and any other document now or hereafter executed by the Issuer or the Corporation in connection with the sale of the Series 2020 Bonds by the Underwriter.

"Sinking Fund Payments" means (A) with respect to the Series 2020 Bonds, the sinking fund redemption payments due on the Series 2020 Bonds pursuant to Section 301(B) of the Indenture and (B) with respect to any Additional Bonds, the sinking fund redemption payments (if any) required pursuant to the supplemental Indenture authorizing issuance of such Additional Bonds.

"Special Record Date" means a date for the payment of any Defaulted Interest on the Bonds fixed by the Trustee pursuant to Section 207(C) of the Indenture.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns.

"State" means the State of New York.

"Stated Maturity" means, when used with respect to any Bond or any installment of interest thereon, the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest on such Bond is due and payable.

"Supplemental Indenture" means any indenture supplemental to or amendatory of the Indenture executed by the Issuer in accordance with Article VIII of the Indenture.

"Term Bonds" means Bonds having a single stated maturity for which Sinking Fund Installments are specified in the Indenture (or, if such Bonds are Additional Bonds, in the supplemental indenture authorizing the issuance of such Bonds).

"Trust Estate" means all Property which may from time to time be subject to a Lien in favor of the Trustee created by the Indenture or any other Financing Document.

"Trust Revenues" means (A) all payments of loan payments made or to be made by or on behalf of the Corporation under the Loan Agreement (except payments made with respect to the Unassigned Rights), (B) all other amounts pledged to the Trustee by the Issuer or the Corporation to secure the Bonds or performance of their respective obligations under the Loan Agreement and the Indenture, (C) moneys and

investments held from time to time in each fund and account established under the Indenture and all investment income thereon, except (1) moneys and investments held in the Rebate Fund, (2) moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and (3) as specifically otherwise provided, (D) all payments of made or to be made by or on behalf of the Corporation under the Obligations, and (E) all other moneys received or held by the Trustee for the benefit of the Bondholders pursuant to the Indenture. Notwithstanding anything to the contrary, amounts held in the Rebate Fund shall not be considered Trust Revenues and shall not be subject to the Lien of the Indenture, and amounts held therein shall not secure any amount payable on the Bonds.

"Trustee" means U.S. Bank National Association, a national banking association, or any successor trustee or co-trustee acting as trustee under the Indenture.

"Unassigned Rights" means (A) the rights of the Issuer granted pursuant to Sections 2.2, 3.1, 4.1, 5.1(B)(2), 5.2(B), 6.1, 6.2, 6.3, 7.1, 7.2, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 9.1, 9.3, 11.1, 11.4, 11.8 and 11.10 of the Loan Agreement, (B) the moneys due and to become due to the Issuer for its own account or the members, directors, officers, agents (other than the Corporation), servants and employees of the Issuer for their own account pursuant to Sections 2.1(D), 5.1(B)(2), 5.1(C), 8.2, 10.2 and 10.4 of the Loan Agreement, and (C) the right to enforce the foregoing pursuant to Article X of the Loan Agreement. Notwithstanding the preceding sentence, to the extent the obligations of the Corporation under the Sections of the Loan Agreement listed in (A), (B) and (C) above do not relate to the payment of moneys to the Issuer for its own account or to the members, officers, directors, agents (other than the Corporation), servants and employees of the Issuer for their own account, such obligations, upon assignment of the Loan Agreement by the Issuer to the Trustee pursuant to the Indenture, shall be deemed to and shall constitute obligations of the Corporation to the Issuer and the Trustee, jointly and severally, and either the Issuer or the Trustee may commence an action to enforce the Corporation's obligations under the Loan Agreement.

"Underwriter" means (A), with respect to the Series 2020 Bonds, Barclays Capital Inc., on behalf of itself and as representative of the other underwriters for the Series 2020 Bonds, as original purchasers of the Series 2020 Bonds on the Closing Date relating thereto, and (B), with respect to any series of Additional Bonds, the original purchaser of such series of Additional Bonds on the Closing Date relating thereto.

"Underwriter Documents" means, collectively, (A) with respect to the Series 2020 Bonds, the Series 2020 Underwriter Documents and (B) with respect to any Additional Bonds, any similar documents executed by the Issuer and/or the Corporation in connection with the issuance of such Additional Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

Reference is made to the Loan Agreement for complete details of the terms thereof. The following is a brief summary of certain provisions of the Loan Agreement and should not be considered a full statement thereof.

Representations, Warranties and Covenants of the Issuer *(Section 2.1)*

The Issuer will make the following representations, warranties and covenants, among others:

(A) The Issuer is duly established under the provisions of the Enabling Act and has the power to enter into the Loan Agreement and to carry out the obligations thereunder. By proper official action, the Issuer has been duly authorized to execute, deliver and perform the Loan Agreement and the other Financing Documents to which the Issuer is a party.

(B) Neither the execution and delivery of the Loan Agreement, the consummation of the transactions contemplated thereby nor the fulfillment of or compliance with the provisions of the other Financing Documents by the Issuer will conflict with or result in a breach by the Issuer of any of the terms, conditions or provisions of the Enabling Act, the certificate of incorporation or by-laws of the Issuer or any order, judgment, restriction, agreement or instrument to which the Issuer is a party or by which the Issuer is bound, or will constitute a default by the Issuer under any of the foregoing.

(C) To assist in financing a portion of the Cost of the Project related to the Series 2020 Project, the Issuer will issue and sell the Series 2020 Bonds and loan the proceeds of the Series 2020 Bonds to the Corporation pursuant to the Loan Agreement. In no event will the Issuer issue and sell additional obligations to pay the Cost of the Project if the issuance and sale of such further obligations would cause interest on the Series 2020 Bonds to be or become subject to federal income taxation under the Code.

(D) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Issuer is a bond issuer whose arbitrage certifications may not be relied upon.

(E) Subject to the limitations contained in Section 11.10 of the Loan Agreement, so long as the Bonds shall be Outstanding, the Issuer will not take any action (or omit to take any action required by the Financing Documents or which the Trustee or the Corporation, together with Bond Counsel, advise the Issuer in writing should be taken) or allow any action to be taken, which action (or omission) would in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Financing Documents. Notwithstanding the foregoing, there shall be no such obligation upon the Issuer with respect to the use or investment of its administrative fee, provided, however, that if the Corporation is required to rebate any amount with respect to such administrative fee, the Issuer shall provide, upon the reasonable request of the Corporation, such information concerning the investment of such administrative fee as shall be requested by the Corporation and as shall be reasonably available to the Issuer.

Representations and Covenants of the Corporation *(Section 2.2)*

The Corporation makes the following representations and covenants, among others:

(A) The Corporation is a New York public benefit corporation, is duly authorized to do business in the State of New York, has the power to enter into the Loan Agreement and the other Financing Documents to which the Corporation is a party and to carry out its obligations under the Loan Agreement and thereunder, has been duly authorized to execute the Loan Agreement and the other Financing Documents to which the Corporation is a party, and is qualified to do business in all jurisdictions in which its operations or ownership of Property so requires. The Loan Agreement and the other Financing Documents to which the Corporation is a party, and the transactions contemplated by the Loan Agreement and thereby, have been duly authorized by all necessary action on the part of the board of directors of the Corporation.

(B) Neither the execution and delivery of the Loan Agreement or the other Financing Documents to which the Corporation is a party, the consummation of the transactions contemplated thereby and thereby nor the fulfillment of or compliance with the provisions of the Loan Agreement or the other Financing Documents to which the Corporation is a party will (1) conflict with or result in a breach of or a default under any of the terms, conditions or provisions of the Westchester County Health Care Corporation Act, Chapter 11 of the Consolidated Laws of the State, 1997 (Title

1 of Article 10-C Public Authorities Law section 3301 et seq.) or by-laws of the Corporation or any other corporate restriction or any order, judgment, agreement or instrument to which the Corporation is a party or by which the Corporation is bound, or constitute a default under any of the foregoing, or (2) result in the creation or imposition of any Lien of any nature upon any Property of the Corporation other than pursuant to the Financing Documents and the Permitted Encumbrances, or (3) require consent (which has not been theretofore received) under any corporate restriction or any order, judgment, agreement or instrument to which the Corporation is a party or by which the Corporation or any of its Property may be bound or affected, or (4) require consent under (which has not been theretofore received), conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court (domestic or foreign) having jurisdiction over the Corporation or any of the Property of the Corporation.

(C) The Financing Documents to which the Corporation is a party constitute, or upon their execution and delivery in accordance with the terms thereof will constitute, valid and legally binding obligations of the Corporation, enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency, and equitable powers of a court of proper jurisdiction.

(D) The Corporation will not take any action (or omit to take any action required by the Financing Documents or which the Trustee or the Issuer, together with Bond Counsel, advise the Corporation in writing should be taken), or allow any action to be taken, which action (or omission) would in any way cause the proceeds of the Bonds to be applied in a manner contrary to that provided in the Financing Documents.

(E) All of the proceeds of the Series 2020 Bonds shall be used to pay the costs of the Series 2020 Project, and the total cost of the Series 2020 Project is expected to be at least equal $300,000,000.

(F) All proceeds of the Series 2020 Bonds shall be used to pay the Cost of the Project related to the Series 2020 Project, and the total Cost of the Project, including all costs related to the issuance of the Bonds, shall not be less than the total Bond Proceeds advanced by the Trustee under the Indenture.

Covenant with Trustee and the Bondholders *(Section 2.3)*

The Issuer and the Corporation agree that the Loan Agreement is executed in part to induce the purchase of the Bonds by the Holders and Beneficial Owners from time to time of the Bonds. Accordingly, all representations, covenants and agreements on the part of the Issuer and the Corporation set forth in the Loan Agreement (other than the Unassigned Rights) are by the Loan Agreement declared to be for the benefit of the Issuer, the Trustee, the Insurer and the Holders and Beneficial Owners from time to time of the Bonds.

Construction and Installation of the Project Facility *(Section 4.1)*

The Corporation shall promptly construct and install the Project Facility, or cause the construction and installation of the Project Facility.

The Corporation has given or will give or cause to be given all notices and has complied or will comply or cause compliance in all material respects with all Applicable Laws, and the Corporation will defend, indemnify and save the Issuer and the Trustee and their respective members, directors, officers,

agents, servants and employees harmless from all fines and penalties due to failure to comply therewith. All permits and licenses necessary for the prosecution of work on the Project Facility shall be procured promptly by the Corporation.

Application of Proceeds of the Series 2020 Bonds *(Section 4.3)*

The proceeds of the sale of the Series 2020 Bonds will be deposited by the Issuer with the Trustee as provided in the Indenture. A portion of the proceeds shall be disbursed for application to the payment of the Prior Bonds and costs of issuance of the Series 2020 Bonds upon written Request for Disbursement of the Corporation. The remaining proceeds shall be disbursed by the Trustee to Master Trustee for deposit to the Construction Fund under the Master Indenture to pay for costs of the Series 2020 Project.

Completion of the Project Facility *(Section 4.4)*

The Corporation will proceed with due diligence to commence and complete the construction and installation of the Project Facility.

Completion by the Corporation *(Section 4.5)*

In the event that the proceeds of the Bonds are not sufficient to pay in full all costs of reconstructing and installing the Project Facility, the Corporation agrees, for the benefit of the Issuer, to complete such construction and installation and to pay all such sums as may be in excess of the moneys available therefor in the Construction Fund of the Master Indenture.

No payment by the Corporation pursuant to this provision shall entitle the Corporation to any reimbursement for any such expenditure from the Issuer or the Trustee or to any diminution or abatement of any amounts payable by the Corporation under the Loan Agreement or under any other Financing Document.

Loan Payments and other Amounts Payable *(Section 5.1)*

The Corporation shall pay loan payments for the Project Facility as follows: on or before the date three days before each Bond Payment Date, the Corporation shall make available moneys to the Trustee for deposit into the Bond Fund, in an amount which, when added to any amounts then held in the Bond Fund, shall equal the amount payable as principal, interest and premium, if any, or a Sinking Fund Payment, on the Bonds on such Bond Payment Date.

The Corporation shall pay as additional loan payments under the Loan Agreement any premium when due on the Bonds and the following:

(1) Within thirty (30) days after receipt of a demand therefor from the Trustee, the Corporation shall pay to the Trustee the following amounts: (a) the reasonable fees, costs and expenses of the Trustee for performing the obligations of the Trustee under the Indenture and the other Financing Documents; (b) the sum of the expenses of the Trustee reasonably incurred in performing the obligations of (i) the Corporation under the Loan Agreement, or (ii) the Issuer under the Bonds, the Indenture or the Loan Agreement; and (c) the Trustee's reasonable attorneys' fees incurred in connection with the foregoing and other moneys due the Trustee pursuant to the provisions of any of the Financing Documents.

(2) (a) On the Closing Date, the Corporation shall pay to the Issuer, as the initial basic loan payment due under the Loan Agreement, (i) a single lump sum basic loan payment

representing the Issuer's administration fee for the issuance of the Series 2020 Bonds; plus (ii) an additional lump sum basic loan payment in an amount equal to the fees and expenses of the Issuer's counsel and Bond Counsel to the Issuer relating to the Project.

(b) Within thirty (30) days after receipt of a demand therefor from the Issuer, the Corporation shall pay to the Issuer the sum of the reasonable expenses (including, without limitation, reasonable attorney's fees and expenses) of the Issuer and the members, directors, officers, agents, servants and employees thereof incurred by reason of the Issuer's ownership, financing or sale of the Project Facility or in connection with the carrying out of the Issuer's duties and obligations under the Loan Agreement or any of the other Financing Documents, and any other fee or expense of the Issuer with respect to the Project Facility, the sale of the Project Facility to the Corporation, the Bonds or any of the other Financing Documents, the payment of which is not otherwise provided for under the Loan Agreement.

(c) The Corporation also hereby agrees to pay all amounts payable to the Bond Insurer by the Corporation pursuant to Section 1201 of the Indenture in accordance with such Section.

The Corporation agrees to make the above-mentioned payments, without any further notice, in lawful money of the United States of America as, at the time of payment, shall be legal tender for the payment of public and private debts. In the event the Corporation shall fail to make any payment required by this provision for a period of more than ten (10) days from the date such payment is due, the Corporation shall pay the same, together with interest thereon, at the Default Interest Rate, from the date on which such payment was due until the date on which such payment is made.

Nature of Obligations of Corporation under the Loan Agreement *(Section 5.2)*

The obligations of the Corporation to make the payments required by the Loan Agreement and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement shall be general obligations of the Corporation and not of any member of the Corporation's board of directors, nor of any officer, employee or agent of the Corporation in his or her individual capacity, and shall be absolute and unconditional irrespective of any defense or any right of set-off, recoupment, counterclaim or abatement that the Corporation may otherwise have against the Issuer or the Trustee. The Corporation agrees that it will not suspend, discontinue or abate any payment required by, or fail to observe any of its other covenants or agreements contained in, the Loan Agreement, or terminate the Loan Agreement for any cause whatsoever, including, without limiting the generality of the foregoing, failure to complete the Project Facility, any defect in the title, design, operation, merchantability, fitness or condition of the Project Facility or any part thereof or in the suitability of the Project Facility or any part thereof for the Corporation's purposes or needs, failure of consideration for, destruction of or damage to, Condemnation of title to or the use of all or any part of the Project Facility, any change in the tax or other laws of the United States of America or of the State or any political subdivision thereof, or any failure of the Issuer to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with the Loan Agreement.

Nothing contained in this provision shall be construed to release the Issuer from the performance of any of the agreements on its part contained in the Loan Agreement, and, in the event the Issuer should fail to perform any such agreement, the Corporation may institute such action against the Issuer as the Corporation may deem necessary to compel performance or recover damages for non-performance (subject to the provisions of Section 11.10 of the Loan Agreement); provided, however, that the Corporation shall look solely to the Issuer's estate and interest in the Project Facility for the satisfaction of any right or remedy

of the Corporation for the collection of a judgment (or other judicial process) requiring the payment of money by the Issuer in the event of any liability on the part of the Issuer, and no other Property or assets of the Issuer or of the members, directors officers, agents (other than the Corporation), servants or employees of the Issuer shall be subject to levy, execution, attachment or other enforcement procedure for the satisfaction of the Corporation's remedies under or with respect to the Loan Agreement, the relationship of the Issuer and the Corporation under the Loan Agreement or the Corporation's title to the Project Facility, or any other liability of the Issuer to the Corporation.

Prepayment of Loan Payments *(Section 5.3)*

At any time that the Bonds are subject to the redemption under Section 301(A) of the Indenture, the Corporation may, at its option, prepay, in whole or in part, the loan payments payable under the Loan Agreement by causing there to be moneys in an amount equal to the Redemption Price of the Bonds being redeemed on deposit with the Trustee on or prior to the date such moneys are to be applied to the redemption of such Bonds under Section 301 of the Indenture.

The Corporation shall exercise its option to make such advance loan payments by delivering a written notice of an Authorized Representative of the Corporation to the Trustee, with a copy to the Issuer, setting forth (i) the amount of the advance loan payment, (ii) the principal amount of Bonds Outstanding requested to be redeemed with such advance loan payment (which principal amount shall be in such minimum amount or integral Authorized Denomination as shall be permitted in the Indenture), and (iii) the date on which such principal amount of Bonds are to be redeemed (which date shall be not earlier than forty-five (45) days after the date of such notice).

Insurance Required *(Section 6.1)*

So long as any Bond is Outstanding and/or during the term of the Loan Agreement, the Corporation shall maintain insurance with respect to the Project Facility in accordance with the insurance requirements set forth in the Master Indenture, including, but not necessarily limited to, insurance protecting the Corporation, the Issuer and the Trustee against loss or losses from liabilities imposed by law or assumed in any written contract and arising from personal injury or death or damage to the Property of others caused by any accident or occurrence in accordance with the insurance requirements set forth in the Master Indenture. THE ISSUER DOES NOT IN ANY WAY REPRESENT THAT THE INSURANCE SPECIFIED IN THE LOAN AGREEMENT, WHETHER IN SCOPE OR IN LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE CORPORATION'S BUSINESS OR INTERESTS.

Additional Provisions Respecting Insurance *(Section 6.2)*

Except as otherwise provided in the Loan Agreement, all liability policies of insurance required by Section 6.1 of the Loan Agreement shall name the Corporation and the Issuer as insureds, as their interests may appear, and provide for at least thirty (30) days' written notice to the Corporation, the Issuer and the Trustee prior to cancellation, lapse, reduction in policy limits or material change in coverage thereof. At least thirty (30) days prior to the expiration of any such policy, the Corporation shall furnish to the Issuer and the Trustee evidence that the policy has been renewed or replaced or is no longer required by the Loan Agreement.

All premiums with respect to the insurance required by Section 6.1 under the Loan Agreement shall be paid by the Corporation. If at any time the Issuer is not in receipt of written evidence that all insurance required thereunder is in force and effect, the Issuer shall have the right without notice to the Corporation to take such action as the Issuer deems necessary to protect its interest in the Project Facility, including,

without limitation, the obtaining of such insurance coverage as the Issuer in its sole discretion deem appropriate, and all expenses incurred by the Issuer in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by the Corporation to the Issuer, upon demand, together with interest thereon at the Default Interest Rate.

The provisions of subsection 4 of Section 254 of the Real Property Law of the State covering the insurance of buildings against loss by fire shall not apply to the Loan Agreement.

Unless otherwise explicitly provided, no provision of Section 6.1 of the Loan Agreement shall be construed to prevent the Corporation from self-insuring against any risks or any portion of any risks; provided however that the Corporation shall (1) provide adequate funding of such self-insurance in an amount customary in the industry and (2) if requested by the Trustee, deliver an actuarial report for each self-insurance fund within ninety (90) days following the end of each fiscal year.

Application of Net Proceeds of Insurance *(Section 6.3)*

The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.1 of the Loan Agreement shall be applied pursuant to the terms of the Master Indenture.

Damage or Destruction *(Section 7.1)*

If the Project Facility shall be damaged or destroyed, in whole or in part: (1) the Issuer shall have no obligation to replace, repair, rebuild or restore the Project Facility; (2) there shall be no abatement or reduction in the amounts payable by the Corporation under the Loan Agreement or under any of the other Financing Documents (whether or not the Project Facility is replaced, repaired, rebuilt or restored); and (3) the obligations with respect to, and the proceeds of, any insurance award shall be applied pursuant to the Master Indenture.

Condemnation *(Section 7.2)*

To the knowledge of the Corporation, no condemnation or eminent domain proceeding has been commenced or threatened against any part of the Project Facility. The Corporation shall notify the Issuer and the Trustee of the Corporation of any condemnation proceedings and, within seven days after inquiry from the Issuer or the Trustee, inform the Issuer and the Trustee in writing of the status of such proceeding. If title to, or the use of, any or all of the Project Facility shall be taken by Condemnation: (1) the Issuer shall have no obligation to restore the Project Facility; (2) there shall be no abatement or reduction in the amounts payable by the Corporation under the Loan Agreement or under any of the other Financing Documents (whether or not the Project Facility is restored); and (3) the obligations with respect to, and the proceeds of, any condemnation award shall be applied pursuant to the Master Indenture.

Assignment of the Loan Agreement by the Corporation *(Section 9.1)*

The Loan Agreement may not be assigned by the Corporation, in whole or in part, without the prior written consent of the Issuer and the Insurer, which consent shall not be unreasonably withheld or delayed.

Pledge and Assignment of the Issuer's Interests to Trustee *(Section 9.2)*

The Issuer has, pursuant to the terms of the Indenture, pledged and assigned certain of its rights and interests under and pursuant to the Loan Agreement to the Trustee as security for the payment of the principal of, premium, if any, and interest on the Bonds. Such pledge and assignment shall in no way impair or diminish any obligations of the Issuer under the Loan Agreement. The Corporation thereby

acknowledges receipt of notice of and consents to such pledge and assignment by the Issuer to the Trustee and specifically agrees to perform for the benefit of the Trustee all of its duties and undertakings under the Loan Agreement (except duties undertaken with respect to the Unassigned Rights).

Merger of the Issuer *(Section 9.3)*

Nothing contained in the Loan Agreement shall prevent the consolidation of the Issuer with, or merger of the Issuer into, or assignment by the Issuer of its rights and interests thereunder to, any other public instrumentality or political subdivision of the State or Westchester County, New York which has the legal authority to perform the obligations of the Issuer thereunder, provided that upon any such consolidation, merger or assignment, the due and punctual performance and observance of all of the agreements and conditions of the Loan Agreement, the Bonds and the Indenture to be kept and performed by the Issuer shall be expressly assumed in writing by the public instrumentality or political subdivision resulting from such consolidation or surviving such merger or to which the Issuer's rights and interests thereunder or under the Loan Agreement shall be assigned.

As of the date of any such consolidation, merger or assignment, the Issuer shall give notice thereof in reasonable detail to the Corporation and the Trustee. The Issuer shall promptly furnish to the Trustee and the Corporation such additional information or opinions with respect to any such consolidation, merger or assignment as the Trustee and the Corporation may reasonably request.

Events of Default Defined *(Section 10.1)*

Under the Loan Agreement, any one or more of the following events will constitute an "Event of Default":

(1) A default by the Corporation in the due and punctual payment of the amounts specified to be paid pursuant to Section 5.1(A) of the Loan Agreement.

(2) A default in the performance or observance of any other of the covenants, conditions or agreements on the part of the Corporation in the Loan Agreement and the continuance thereof for a period of thirty (30) days after written notice is given by the Issuer or the Trustee to the Corporation (with a copy to the Trustee, if given by the Issuer), or, if such covenant, condition or agreement is capable of cure but cannot be cured within such thirty (30) day period, the failure of the Corporation to commence to cure within such thirty (30) day period and to thereafter prosecute the same with due diligence.

(3) The occurrence of an "Event of Default" under any of the other Financing Documents.

(4) Any representation or warranty made by the Corporation therein or in any other Financing Document proves to have been materially false at the time it was made.

Notwithstanding the foregoing, if by reason of force majeure (as hereinafter defined) either party to the Loan Agreement shall be unable, in whole or in part, to carry out its obligations under the Loan Agreement and if such party shall give notice and full particulars of such force majeure in writing to the other party and to the Trustee within a reasonable time after the occurrence of the event or cause relied upon, the obligations under the Loan Agreement of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The suspension of such obligations for such period pursuant to this paragraph shall not be deemed an Event of Default under the Loan Agreement. Notwithstanding anything to the contrary in this paragraph, an event of force majeure shall not excuse, delay or in any way diminish the obligations of the Corporation to make certain payments required by the

Loan Agreement, to obtain and continue in full force and effect the insurance required by the Loan Agreement, to provide the certain indemnity required by the Loan Agreement and to comply with certain other the provisions of the Loan Agreement. The term "force majeure" as used in the Loan Agreement shall include acts outside of the control of the Issuer and the Corporation, including but not limited to acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders of any kind of any Governmental Authority or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, and partial or entire failure of utilities. It is agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the party having difficulty, and the party having difficulty shall not be required to settle any strike, lockout or other industrial disturbances by acceding to the demands of the opposing party or parties.

Notwithstanding any other provision of the Loan Agreement, failure of the Corporation to comply with Section 8.5(B) of the Loan Agreement provision regarding annual compliance certificates shall not be considered an Event of Default; however, the Trustee may (and, at the request of any underwriter or the Holders of at least 51% aggregate principal amount in Outstanding Bonds, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under Section 8.5(B) thereof.

Remedies on Default *(Section 10.2)*

Whenever any Event of Default shall have occurred, the Issuer and/or the Trustee may, to the extent permitted by law, take any one or more of the following remedial steps:

(1) declare, by written notice to the Corporation, to be immediately due and payable, whereupon the same shall become immediately due and payable, (a) all unpaid loan payments payable pursuant to the Loan Agreement, and (b) all other payments due under the Loan Agreement or any of the other Financing Documents;

(2) take any other action at law or in equity which may appear necessary or desirable to collect any amounts then due or thereafter to become due under the Loan Agreement and to enforce the obligations, agreements or covenants of the Corporation under the Loan Agreement

(3) terminate disbursement of the Bond Proceeds; or

(4) exercise any remedies available pursuant to any of the other Financing Documents.

Notwithstanding anything in the Loan Agreement to the contrary, whenever any Event of Default or Default shall have occurred, the Issuer may take any action at law or in equity which may appear necessary or desirable to collect any amounts then due or thereafter to become due thereunder and to enforce the obligations, agreements or covenants of the Corporation under the Loan Agreement.

Any sums paid to the Issuer as a consequence of any action taken pursuant to this provision (excepting sums payable to the Issuer as a consequence of action taken to enforce the Unassigned Rights) shall be paid to the Trustee and applied in accordance with the provisions of Section 609 of the Indenture (application of moneys).

No action taken pursuant to this provision shall relieve the Corporation from its obligations to make all payments required by the Loan Agreement and the other Financing Documents.

No Recourse; Special Obligation *(Section 11.10)*

The obligations and agreements of the Issuer contained in the Loan Agreement and in the other Financing Documents and any other instrument or document executed in connection therewith, and any other instrument or document supplemental thereto, shall be deemed the obligations and agreements of the Issuer, and not of any member, director, officer, agent (other than the Corporation), servant or employee of the Issuer in his individual capacity, and the members, directors, officers, agents (other than the Corporation), servants and employees of the Issuer shall not be liable personally on the Loan Agreement or on such other documents or be subject to any personal liability or accountability based upon or in respect of the Loan Agreement or such other documents or of any transaction contemplated by the Loan Agreement or such other documents.

The obligations and agreements of the Issuer contained in the Loan Agreement and such other documents shall not constitute or give rise to an obligation of the State of New York or Westchester County, New York, and neither the State of New York nor Westchester County, New York shall be liable for such obligations and agreements, and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the Issuer, but rather shall constitute limited obligations of the Issuer payable solely from the revenues of the Issuer derived and to be derived from the sale or other disposition of the Project Facility (except for revenues derived by the Issuer with respect to the Unassigned Rights).

No order or decree of specific performance with respect to any of the obligations of the Issuer under the Loan Agreement shall be sought or enforced against the Issuer unless (1) the party seeking such order or decree shall first have requested the Issuer in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Issuer shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten days, shall have failed to institute and diligently pursue action to cause compliance with such request within such ten day period) or failed to respond within such notice period, (2) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Issuer an amount or undertaking sufficient to cover such reasonable fees and expenses, and (3) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it or any of its members, directors, officers, agents (other than the Corporation), servants or employees shall be subject to potential liability, the party seeking such order or decree shall (a) agree to indemnify, defend and hold harmless the Issuer and its members, directors, officers, agents (other than the Corporation), servants and employees against any liability incurred as a result of its compliance with such demand, and (b) if requested by the Issuer, furnish to the Issuer satisfactory security to protect the Issuer and its members, directors, officers, agents (other than the Corporation), servants and employees against all liability expected to be incurred as a result of compliance with such request. Any failure to provide the indemnity and/or security required in this paragraph shall not affect the full force and effect of an Event of Default under the Loan Agreement.

Insurer *(Section 11.11)*

The Corporation acknowledges that Section 1201 of the Indenture contains provisions for the benefit of the Insurer and the Corporation agrees to perform all obligations of the Corporation set forth therein or elsewhere in the Indenture as if such provisions were set forth directly in the Loan Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following summarizes certain provisions of the Indenture to which reference is made for the detailed provisions thereof. Certain provisions of the Indenture are also described in the Offering Memorandum under the captions "INTRODUCTION", "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS" and "THE SERIES 2020 BONDS".

The Bonds will be issued under and secured by the Indenture. Reference is made to the Indenture for complete details of the terms thereof. The following is a brief summary of certain provisions of the Indenture and should not be considered a full statement thereof.

Restriction on Issuance of Bonds *(Section 201)*

No Bonds may be authenticated and issued under the provisions of the Indenture except in accordance with the terms thereof.

Limited Obligations *(Section 202)*

The Bonds, together with the premium, if any, and the interest thereon, shall be limited obligations of the Issuer payable, with respect to the Issuer, solely from the Trust Revenues, which Trust Revenues are thereby pledged and assigned to the Trustee for the equal and ratable payment of all sums due under the Bonds, and shall be used for no other purpose than to pay the principal of, premium, if any, on and interest on the Bonds, except as may be otherwise expressly provided in the Indenture.

THE BONDS DO NOT CONSTITUTE AND SHALL NOT BE A DEBT OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION WESTCHESTER COUNTY, NEW YORK) AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION WESTCHESTER COUNTY, NEW YORK) SHALL BE LIABLE THEREON. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION WESTCHESTER COUNTY, NEW YORK).

No recourse shall be had for the payment of the principal of, or the premium, if any, or the interest on, any Bond or for any claim based thereon or on the Indenture against any past, present or future member, director, officer, agent (other than the Corporation), servant or employee, as such, of the Issuer or of any predecessor or successor corporation, either directly or through the Issuer or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise.

Delivery of Series 2020 Bonds *(Section 210)*

Upon the execution and delivery of the Indenture, the Issuer shall execute and deliver the Series 2020 Bonds to the Trustee, and the Trustee shall authenticate and deliver the Series 2020 Bonds to the purchasers thereof against payment of the purchase price therefor, plus accrued interest to the day preceding the date of delivery, upon receipt by the Trustee of the following:

(A) a certified copy of the Series 2020 Bond Resolution;

(B) executed counterparts of the Indenture, the Loan Agreement and the other Initial Financing Documents;

(C) a request and authorization to the Trustee on behalf of the Issuer signed by an Authorized Representative of the Issuer to deliver the Series 2020 Bonds to or upon the order of the Underwriter upon payment to the Trustee for the account of the Issuer of the purchase price therefor specified in such request and authorization;

(D) signed copies of the opinions of counsel to the Issuer, the Corporation and the Trustee, and of Bond Counsel, as required by the Bond Purchase Agreement;

(E) the certificates and policies, if available, of the insurance required by the Loan Agreement;

(F) An original executed Bond Insurance Policy issued by the Bond Insurer; and

(G) such other documents as the Trustee or Bond Counsel may reasonably require.

Additional Bonds *(Section 214)*

So long as the Loan Agreement is in effect and no Event of Default exists thereunder or under the Indenture (and no event exists which, upon notice or lapse of time or both, would become an Event of Default thereunder or under the Indenture), the Issuer may, upon a request from the Corporation complying with this provision, issue one or more series of Additional Bonds to provide funds to pay any one or more of the following: (1) costs of completion of the Project Facility in excess of the amount in the Project Fund; (2) costs of any Additional Project; (3) costs of refunding or advance refunding any or all of the Bonds previously issued; (4) costs of making any modifications, additions or improvements to the Project Facility that the Corporation may deem necessary or desirable; and/or (5) costs of the issuance and sale of the Additional Bonds, capitalized interest, funding debt service reserves, and other costs reasonably related to any of the foregoing. Additional Bonds may mature at different times, bear interest at different rates and otherwise vary from the Series 2020 Bonds authorized under Section 209 of the Indenture, all as may be provided in the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Prior to the execution of a supplemental Indenture authorizing the issuance of Additional Bonds, the Issuer must deliver the following documents to the Trustee:

(1) an amendment to the Loan Agreement and the other Financing Documents and an obligation under the Master Indenture, providing for timely payment by the Corporation of payments in an amount at least equal to the sum of the total Debt Service Payments due on the Series 2020 Bonds and all Additional Bonds and all other costs in connection with the Project Facility and all Additional Projects covered thereby;

(2) evidence that the Financing Documents, as amended or supplemented in connection with the issuance of the Additional Bonds, provide that (a) the Bonds referred to therein shall mean and include the Additional Bonds being issued as well as the Series 2020 Bonds originally issued under the Indenture and any Additional Bonds theretofore issued, and (b) the Project Facility referred to in the Financing Documents includes any Additional Facilities being financed;

(3) a copy of the resolution of the board of trustees of the Corporation, duly certified by the secretary or assistant secretary of the Corporation, which approves the issuance of the Additional Bonds and authorizes the execution and delivery by the Corporation of the amendments to the Financing Documents described in paragraphs (1) and (2) above;

(4) a written opinion of counsel to the Corporation which shall state that the amendments and supplements to the Financing Documents described in paragraphs (1) and (2) above have been duly authorized, executed and delivered by the Corporation; that the Financing Documents, as amended and supplemented to the Closing Date for such Additional Bonds, constitute legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms, subject to the standard exceptions with respect to bankruptcy laws and other laws affecting credit rights generally, equitable remedies and specific performance, limitations on remedies of foreclosure with respect to licensed health care facilities, limitations on the ability of one charitable corporation to guarantee the indebtedness of the other charitable corporations, and similar customary exceptions; and that all conditions precedent provided for in the Indenture to the issuance, execution and delivery of the Additional Bonds have been complied with;

(5) a copy of the resolution of the members of the board of directors of the Issuer, duly certified by the secretary or assistant secretary of the Issuer, authorizing the issuance of the Additional Bonds and the execution and delivery by the Issuer of the amendments to the Financing Documents described in paragraph (1) and paragraph (2) above to be executed by the Issuer in connection therewith;

(6) an opinion of counsel to the Issuer stating that the amendments and supplements to the Financing Documents described above have been duly authorized and lawfully executed and delivered on behalf of the Issuer; and that such amendments and supplements to the Financing Documents are in full force and effect and are valid and binding upon the Issuer, subject to the standard exceptions with respect to bankruptcy laws, equitable remedies and specific performance;

(7) an opinion of Bond Counsel stating that, in the opinion of such Bond Counsel, the Issuer is duly authorized and entitled to issue such Additional Bonds and that, upon the execution, authentication and delivery thereof, such Additional Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Issuer, enforceable in accordance with their terms, subject to the standard exceptions with respect to bankruptcy laws, equitable remedies and specific performance; that the issuance of the Additional Bonds will not, in and of itself, adversely affect the validity of the Series 2020 Bonds originally issued under the Indenture or any Additional Bonds theretofore issued or the exclusion of the interest payable on the Series 2020 Bonds and any Additional Bonds; and that all conditions precedent provided for in the Indenture to the issuance, execution and delivery of the Additional Bonds have been complied with;

(8) an executed municipal bond insurance policy issued by a bond insurer which guarantees or secures the payment of principal of and interest on the Additional Bonds, in each case, only if such Additional Bonds (or portion thereof) are to be insured by a bond insurer;

(9) a written order to the Trustee executed by an Authorized Representative of the Issuer requesting that the Trustee authenticate and deliver the Additional Bonds to the purchasers therein identified; and

(10) such other documents as the Trustee may reasonably request.

Each series of Additional Bonds shall be equally and ratably secured under the Indenture with the Series 2020 Bonds issued on the Closing Date and with all other series of Additional Bonds, if any, previously issued under the Indenture, without preference, priority or distinction of any Bond over any other Bond.

The consent of the Holders of the Bonds shall not be required prior to the issuance of Additional Bonds, or to the execution and delivery of any amendments to the Financing Documents required in connection therewith.

Establishment of Funds *(Section 401)*

The Issuer by the Indenture establishes and creates the following special separate fund: the Series 2020 Project Fund, and, within the Project Fund, the following special accounts: (a) the Series 2020 Project Account; and (b) an additional, separate account for each series of Additional Bonds, each such additional account to be known as the "Series _____ Project Account", with the blank to be filled in with the same series designation as borne by the related series of Additional Bonds.

The funds created under the Indenture shall be maintained by the Trustee and shall be held in the custody of the Trustee. The Issuer authorizes and directs the Trustee to withdraw moneys from said funds for the purposes specified in the Indenture, which authorization and direction the Trustee thereby accepts. All moneys required to be deposited with or paid to the Trustee under any provision of the Indenture (1) shall be held by the Trustee in trust, and (2) (except for moneys held by the Trustee (a) for the redemption of Bonds, notice of redemption of which has been duly given) shall, while held by the Trustee, constitute part of the Trust Revenues and be subject to the Lien of the Indenture. Moneys which have been deposited with, paid to or received by the Trustee for the redemption of a portion of the Bonds or for the payment of Bonds or interest thereon due and payable otherwise than upon acceleration by declaration, shall be held in trust for and be subject to a Lien in favor of only the Holders of such Bonds so redeemed or so due and payable.

Application of Proceeds of Bonds and Other Moneys *(Section 402)*

The Issuer shall deposit with the Trustee the purchase price of the Series 2020 Bonds less the bond insurance premium, which shall be paid directly to the Bond Insurer by the Underwriter of the Series 2020 Bonds. The Trustee shall deposit the proceeds from the sale of the Series 2020 Bonds as follows: (1) the Trustee shall deposit the portion of the proceeds of the sale of the Series 2020 Bonds representing accrued interest on the Series 2020 Bonds, if any, into the Bond Fund; and (2) the Trustee shall deposit the remainder of the proceeds of the sale of the Series 2020 Bonds into the Series 2020 Project Account of the Project Fund.

The amounts held in the Series 2020 Project Account shall be disbursed upon closing to the Master Trustee to be held applied pursuant to the instructions delivered at the closing and delivery of the Series 2020 Bonds.

The proceeds of any Additional Bonds shall be deposited as provided in the supplement to the Indenture authorizing the issuance of such Additional Bonds. Any such proceeds required to be deposited in the Project Fund shall be deposited in the appropriate account relating to such Additional Bonds within the Project Fund.

Transfers of Trust Revenues to Funds *(Section 403)*

Commencing on the first date on which loan payments are received from the Corporation pursuant to Section 5.1(A) of the Loan Agreement, and thereafter, the Trustee shall deposit such payments, upon the receipt thereof, into the Bond Fund, as provided in Section 405(A) of the Indenture.

The Project Fund *(Section 404)*

In addition to moneys deposited in the Project Fund from the proceeds of the sale of the Bonds pursuant to Section 402 of the Indenture, there shall be deposited into the Project Fund all other moneys received by the Trustee under or pursuant to the Indenture or the other Financing Documents which, by the terms of the Indenture or thereof, are to be deposited in the Project Fund. Moneys deposited in the Series 2020 Project Account of the Project Fund with respect to the Series 2020 Bonds shall be disbursed pursuant to a Request for Disbursement from an Authorized Representative of the Corporation. Moneys on deposit in the Project Fund with respect to the Additional Bonds shall be disbursed in accordance with the provisions of the supplemental Indenture authorizing issuance of such Additional Bonds.

The Trustee is by the Indenture authorized and directed to disburse moneys from the Project Fund upon receipt by the Trustee of a Request for Disbursement from an Authorized Representative of the Corporation. The Trustee shall rely exclusively on such Requests for Disbursements and shall have no duty, express or implied, to make any inspections or investigations with respect thereto.

The Bond Fund *(Section 405)*

In addition to the moneys deposited into the Bond Fund (1) from the proceeds of the Bonds pursuant to Section 402 of the Indenture and (2) pursuant to Sections 403 and 409 of the Indenture, there shall be deposited into the Bond Fund (a) all loan payments received from the Corporation under the Loan Agreement (except payments made with respect to the Unassigned Rights), (b) all prepayments by the Corporation in connection with which notice has been given to the Trustee pursuant to Section 302 of the Indenture, and (c) all other moneys received by the Trustee under and pursuant to the Indenture or the other Financing Documents which by the terms of the Indenture or thereof are to be deposited into the Bond Fund, or are accompanied by directions from the Corporation or the Issuer that such moneys are to be paid into the Bond Fund.

Moneys on deposit in the Bond Fund may be invested in Authorized Investments in accordance with Section 409 of the Indenture. All interest and other income accrued and earned on moneys on deposit in the Bond Fund shall be deposited by the Trustee into the Bond Fund. Moneys on deposit in the Bond Fund shall, subject to this paragraph below, be applied by the Trustee to pay the principal of, premium, if any, and interest on the Bonds as the same become due, whether at Stated Maturity, upon acceleration of the Bonds or upon redemption of the Bonds, except as provided in Section 410 of the Indenture.

Notwithstanding anything in the Indenture to the contrary, in NO EVENT shall moneys deposited in the Bond Fund be retained therein for a period in excess of one (1) year.

The Insurance and Condemnation Fund *(Section 406)*

(A) The Net Proceeds of any insurance settlement or Condemnation award arising from damage to or destruction of or the taking of part or all of the Project Facility shall be applied pursuant to the provisions of the Master Indenture.

Payment Procedures pursuant to the Bond Insurance Policy *(Section 407)*

(A) The Trustee shall not make a claim for payment on the Policy until any and all funds held pursuant to the Indenture have been fully drawn to pay debt service on the Insured Bonds.

(B) As long as the Policy shall be in full force and effect, the Trustee agrees to comply with the provisions contained in Section 12.01(k) of the Indenture with respect to draws on the Policy.

Investment of Funds *(Section 409)*

Any moneys held as part of any fund created in the Indenture shall be continuously invested and reinvested, from time to time, by the Trustee in Authorized Investments at the written direction of an Authorized Representative of the Corporation, or, in the absence of such direction, in any money market fund customarily invested in by the Trustee, which may be a proprietary fund of the Trustee.

The Trustee shall be responsible for assuring that any moneys held in any fund shall be invested so that (1) all investments shall mature or be subject to mandatory redemption by the holder of such investments (at not less than the principal amount thereof, or the cost of acquisition, whichever is lower), and all deposits in time accounts shall be subject to withdrawal, without penalty, not later than the date when the amounts will foreseeably be needed for purposes of the Indenture and (2) investments of moneys on deposit in the Bond Fund shall mature or be subject to mandatory redemption by the holder (at not less than the principal amount thereof) not more than ninety (90) days from the date of acquisition. The investments so purchased shall be held by the Trustee and shall be deemed at all times to be a part of the fund in which such moneys were held.

The Trustee is directed to sell and reduce to cash a sufficient amount of such investments whenever the cash balance in said fund shall be insufficient to cover a proper disbursement from said fund.

Net income or gain received and collected from such investments shall be credited and losses charged to the Project Fund or the Bond Fund, as the case may be, with respect to the investment of amounts held in such funds.

The Trustee may make any investment permitted by this provision through its own investment department. The Trustee shall not be liable (except for its own negligence or willful misconduct) for any depreciation in the value of any investment made pursuant to this provision or for any loss arising from such investment.

Final Disposition of Moneys *(Section 410)*

In the event there are no Bonds Outstanding, and subject to any applicable law to the contrary, after payment of all fees, charges and expenses, including, but not limited to reasonable attorney's fees, of the Issuer and the Trustee and all other amounts required to be paid under the Indenture and under the other Financing Documents, all amounts remaining in any fund established under the Indenture shall be transferred to the Corporation (except amounts held with respect to the Unassigned Rights, which amounts shall be paid to the Issuer, and except for moneys held for the payment or redemption of Bonds which have matured or been defeased or notice of the redemption of which has been duly given, which shall be held for the benefit of the Owners of such Bonds) upon the written request of the Corporation.

Periodic Reports by Trustee *(Section 411)*

Within thirty (30) days after each January 1 and July 1, and within thirty (30) days after any request from the Issuer or the Corporation, the Trustee shall furnish to the Issuer and the Corporation a report on the status of each of the funds established under the Indenture, showing at least the balance in each such fund as of the final day of the period with respect to which the last such report described (or, if such report is the first such report, as of the Closing Date), the total of deposits into (including interest on investments) and the total of disbursements from each such fund, the dates of such deposits and disbursements, and the balance in each such fund on the last day of the period to which such report relates (which date shall be not earlier than the last day of the calendar month preceding the date of such report), and such other information as the Issuer or the Corporation may reasonably request.

No Modification of Security; Limitation on Liens *(Section 508)*

The Issuer covenants that it will not alter, modify or cancel, or agree to alter, modify or cancel, the Loan Agreement or any other Financing Document to which the Issuer is a party, or which has been assigned to the Issuer, and which materially adversely to or affects the security for the Bonds, except as contemplated by the Indenture or pursuant to the terms of such document. The Issuer further covenants that, except for the Financing Documents and other Permitted Encumbrances, the Issuer will not incur, or suffer to be incurred, any mortgage, Lien, charge or encumbrance on or pledge of any of the Trust Estate prior to or on a parity with the Lien of the Indenture.

[Reserved] (*Section 513*)

Covenant Regarding Adjustment of Debts *(Section 514)*

In any case under Chapter 9 of Title 11 of the United States Code involving the Issuer as debtor, the Issuer, unless compelled by a court of competent jurisdiction, shall neither list the Trust Revenues or any part thereof or the Project Facility or any part thereof as an asset or property of the Issuer nor list any amounts owed upon the Bonds Outstanding as a debt of or claim against the Issuer.

Events of Default *(Section 601)*

The following shall be "Events of Default" under the Indenture, and the terms "Event of Default" shall mean, when they are used in the Indenture, any one or more of the following events:

(A) failure by the Issuer to make due and punctual payment of the interest or premium on any Bond, or failure by the Issuer to make due and punctual payment of the principal of any Bond, whether at the Stated Maturity thereof, or upon proceedings for the redemption thereof, or upon the maturity thereof by declaration;

(B) subject to any right to waive the same as set forth in the Financing Documents, receipt by the Trustee of notice, or actual notice on the part of the Trustee, of the occurrence of an Event of Default under any of the other Financing Documents; or

(C) subject to Section 614 of the Indenture, default in the performance or observance of any other covenant, agreement or condition on the part of the Issuer in the Indenture or in any Bond to be performed or observed and the continuance thereof for a period of thirty (30) days after written notice thereof is given to the Issuer and the Corporation by the Trustee or by the Holders of at least fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding.

Acceleration *(Section 602)*

Upon (1) the occurrence of an Event of Default under Section 601(A) of the Indenture the Trustee shall, or (2) the occurrence of an Event of Default under Section 601(B) or Section 601(C) of the Indenture and so long as such Event of Default is continuing, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, except with respect to the Insured Bonds, in which case the Trustee shall receive the written consent of the Bond Insurer, the Trustee shall, by notice in writing delivered to the Corporation, with a copy of such notice being sent to the Issuer, declare the entire principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any such declaration, the Trustee shall immediately declare an amount

equal to all amounts then due and payable on the Bonds to be immediately due and payable under the Loan Agreement.

Upon the occurrence of any declaration by the Trustee under this provision, the principal of the Bonds then Outstanding and the interest accrued thereon shall thereupon become and be immediately due and payable, and interest shall continue to accrue thereon until the date of payment.

Enforcement of Remedies *(Section 603)*

Upon the occurrence and during the continuance of any Event of Default, the Trustee shall exercise such of the rights and powers vested in the Trustee by the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. In considering what actions are or are not prudent in the circumstances, the Trustee shall consider whether or not to take such action as may be permitted to be taken by the Trustee under any of the Financing Documents.

Upon the occurrence and during the continuance of any Event of Default, the Trustee may proceed forthwith to protect and enforce its rights under the Enabling Act, the Loan Agreement and the other Financing Documents by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient.

Upon the occurrence and during the continuance of any Event of Default, the Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce payment of and receive any amounts due or becoming due from the Issuer or the Corporation under any of the provisions of the Indenture, the Loan Agreement and the other Financing Documents, without prejudice to any other right or remedy of the Trustee or the Bondholders. The Trustee may sue for, enforce payment of and receive any amounts due or becoming due from the Corporation for principal, premium, interest or otherwise under any of the provisions of the Indenture or the other Financing Documents, without prejudice to any other right or remedy of the Trustee.

Regardless of the happening of an Event of Default, the Trustee may institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture and the other Financing Documents by any acts which may be unlawful or in violation of the Indenture or of any other Financing Document or of any resolution authorizing the Bonds, or to preserve or protect the interest of the Trustee and/or the Bondholders.

Rights of Bondholders to Direct Proceedings *(Section 607)*

The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right at any time, by an instrument in writing executed and delivered to the Trustee and upon offering the Trustee the security and indemnity provided for in Section 701(I) the Indenture, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, the Loan Agreement or the other Financing Documents, or for the appointment of a receiver or any other proceedings under the Indenture, provided that such direction, in the opinion of Independent Counsel, is in accordance with the provisions of law and is not unduly prejudicial to the interests of the Bondholders not joining such direction.

Application of Moneys *(Section 609)*

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection

of such moneys and of the fees, expenses, liabilities and advances (including reasonable attorneys' fees) incurred or made by the Trustee, be deposited into the Bond Fund; and all moneys in the Bond Fund shall be applied, together with the other moneys held by the Trustee under the Indenture, as follows:

(1) Unless the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

FIRST - to the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - to the payment to the Persons entitled thereto of the unpaid principal of and any premium on the Bonds (other than Bonds called for redemption for the payment of which moneys shall be held pursuant to the provisions of the Indenture) which shall have become due, in order of their maturities, with interest from the date upon which they became due and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, and interest on the Bonds due on any particular date, then to the payment ratably, according to amounts due respectively for principal, interest and premium, if any, to the Persons entitled thereto, without any discrimination or privilege;

THIRD - to the payment to the Persons entitled thereto of the principal of, premium, if any, on, or interest on the Bonds which may thereafter become due and payable, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of interest, principal and premium, if any, due on such date to the Persons entitled thereto, without any discrimination or privilege; and

FOURTH – to the payment of the amounts owed to the Bond Insurer not payable pursuant to FIRST, SECOND or THIRD; and

(2) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal and premium over interest or of interest over principal and premium, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bonds, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of item (1) of the preceding paragraph, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for such application and the likelihood of additional moneys becoming available in the future. Whenever the Trustee shall apply such moneys under the provisions of item (1) of the preceding paragraph, the Trustee shall fix the date (which shall be an Interest Payment Date unless the Trustee shall 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 shall cease to accrue. Whenever moneys are to be applied pursuant to the provisions of item (2) of the preceding paragraph, such moneys shall be applied as soon as practicable upon receipt thereof. In either case, the Trustee shall give such notice as the Trustee may deem appropriate of the deposit with the Trustee 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 Bond until such Bond shall be presented to the Trustee and a new Bond is issued or the Bond is canceled if fully paid.

Notice of Defaults; Opportunity to Cure *(Section 614)*

Anything in the Indenture to the contrary notwithstanding, no default described in Section 601(B) or Section 601(C) of the Indenture shall constitute an Event of Default until the Trustee shall have received written notice thereof or shall have actual notice thereof and until actual notice of such default by registered or certified mail shall be given by the Trustee or by the Holders of not less than fifty-one (51%) percent of the aggregate principal amount of Bonds then Outstanding to the Issuer and the Corporation (with a copy to the Trustee if given by the Holders), and the Issuer and the Corporation shall have had thirty (30) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Corporation within the applicable period and diligently pursued until the default is corrected.

The Trustee shall immediately notify the Issuer and the Corporation of any Event of Default known to the Trustee.

Notice of Defaults; Opportunity to Cure *(Section 615)*

The exercise of all rights and remedies under the Indenture shall be subject to the rights of the Insurer under Article XII of the Indenture.

Acceptance of the Trusts *(Section 701)*

The Trustee by the Indenture accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts upon the following terms and conditions:

(A) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties under the Indenture by or through attorneys, agents, receivers or employees, but shall not be answerable for the conduct of the same if appointed without negligence, and shall be entitled to advice of counsel concerning all matters of the trusts of the Indenture and the duties under the Indenture, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts of the Indenture. The Trustee may act, without gross negligence, upon the opinion or advice of any attorney appointed, who may be the attorney or attorneys for the Issuer, and shall not be responsible for any loss or damage resulting from any action or nonaction in reliance upon any such opinion or advice.

(B) Except as expressly provided in the Indenture, the Trustee shall not be responsible for any recital in the Indenture or in the Bonds (except in respect to the authentication certificate of the Trustee endorsed on the Bonds), or for the validity of the execution by the Issuer or the Corporation of the Indenture or of any supplements thereto or instruments of further assurance or of any other Financing Document, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured by the Indenture, or for insuring the Property subject to the Lien of the Financing Documents, or for the value or title of any of the Property subject to the Lien of the Financing Documents, or for the payment of, or for minimizing taxes, charges, assessments or Liens upon the same, or otherwise as to the maintenance of the security of the Indenture, except as to the safekeeping of the pledged collateral held by the Trustee and except that, in the event the Trustee enters into possession of part or all of the Property subject to the Lien of the Financing Documents pursuant to any provision thereof, it shall use due diligence in preserving the same, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of

any covenant, condition or agreement on the part of the Issuer or the Corporation, but the Trustee may require of the Issuer and the Corporation full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the Property subject to the Lien of the Financing Documents.

(C) The Trustee may become the Owner of Bonds secured by the Indenture with the same rights which it would have if not the Trustee.

(D) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Owner of any Bond shall be conclusive and binding upon all future owners of the same Bond and of any Bond or Bonds issued in exchange therefor or in place thereof.

(E) The Trustee may accept a certificate of the Secretary or Assistant Secretary of the Issuer under its corporate seal to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted and is in full force and effect. As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate of the Corporation signed by an Authorized Representative of the Corporation, or a certificate of an Authorized Representative of the Issuer under seal, as the case may be, as sufficient evidence of the facts therein contained and, prior to the occurrence of a default of which it has been notified as provided in paragraph (M) of this provision or of which by said paragraph it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is or is not necessary or expedient, but may at its discretion, at the reasonable expense of the Corporation, in every case secure such further evidence as it may think necessary or advisable, but shall in no case be bound to secure the same.

(F) The permissive right of the Trustee to do things enumerated in the Financing Documents shall not be construed as a duty.

(G) At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Issuer pertaining to the Project Facility and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(H) Notwithstanding anything elsewhere in the Indenture, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any moneys, the release of any interest in Property or any action whatsoever, within the purview of the Indenture or of any Financing Document, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to those required in the Indenture.

(I) Before taking any action under the Indenture (except declaring an Event of Default, a mandatory redemption or an acceleration of the Bonds pursuant to the Indenture), the Trustee may require that a security and indemnity reasonably satisfactory to it be deposited with it for the reimbursement of all fees, costs and expenses including, but not limited to, reasonable attorney's fees and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

(J) All moneys received by the Trustee or any paying agent shall, until used or applied or invested as in the Indenture provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or by the Indenture. Neither the Trustee nor any paying agent shall be under any liability for interest on any moneys received under the Indenture except such as may be agreed upon with the Issuer. The Trustee shall not be liable for any loss pertaining to an Authorized Investment executed in accordance with written instructions from the Corporation.

(K) The Trustee, prior to an Event of Default under the Indenture and after curing all Events of Default which may have occurred, undertakes to perform only such duties as are specifically set forth in the Indenture. In case an Event of Default has happened which has not been cured, the Trustee shall exercise the rights, duties and powers vested in the Trustee by the Indenture in good faith and with that degree of diligence, care and skill which ordinarily prudent persons would exercise under similar circumstances in handling their own affairs.

(L) The Trustee shall furnish to the Issuer during the term of the Indenture upon the written request of the Issuer any reports or other account of the use of any of the Issuer's funds held by the Trustee that may be required by any governmental body.

(M) The Trustee shall not be required to take notice or be deemed to have notice of the occurrence of any Event of Default other than an Event of Default under Section 601(A) of the Indenture, unless the Trustee shall have actual knowledge of such Event of Default or unless the Trustee shall be specifically notified in writing of such Event of Default by the Issuer or the Corporation or the Owners of at least fifty-one percent (51%) in aggregate principal amount of Bonds Outstanding under the Indenture, and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default, except as aforesaid.

(N) The Trustee shall not be personally liable for any debts contracted or for damages to Persons or to personal Property injured or damaged, or for salaries or nonfulfillment of contracts, during any period in which it may be in the possession of or managing any Property subject to the Lien of the Financing Documents as in the Indenture provided.

(O) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(P) All notices to, or requests of, the Trustee under the Indenture shall be in writing.

Appointment of Successor Trustee by the Bondholders; Temporary Trustee *(Section 708)*

In case the Trustee under the Indenture shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their duly authorized attorneys; provided, nevertheless, that in case of vacancy, the Issuer (at the written direction of the Corporation) by an instrument executed and signed by the Chairman or Vice Chairman and attested by the Secretary or Assistant Secretary of the Issuer under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bondholders in the manner above provided; and any such temporary Trustee so appointed by the Issuer (at the written direction of the

Corporation) shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders.

Every such successor or temporary Trustee appointed pursuant to this provision shall (1) be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing, (2) be located within or outside the State, (3) be duly authorized to exercise trust powers in the State, (4) be subject to examination by a federal or state authority, and (5) maintain a reported capital and surplus of not less than $5,000,000, or be a subsidiary of a bank holding company with such capital and surplus.

Supplemental Indentures not Requiring Consent of Bondholders *(Section 801)*

The Issuer and the Trustee, without the consent of, or notice to, any of the Bondholders, may enter into an indenture or indentures supplemental to the Indenture and not inconsistent with the terms and provisions of the Indenture or materially adverse to the interests of the Trustee or the Holders of the Bonds, for any one or more of the following purposes:

(1) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;

(2) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or any of them;

(3) to subject additional rights and revenues to the Lien of the Indenture, or to identify more precisely the Trust Estate;

(4) to obtain or maintain a rating on the Bonds from Moody's or S&P;

(5) [Reserved];

(6) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939 or any similar Federal statute in effect after the date of the Indenture or under any state blue sky law;

(7) to enable the issuance of Additional Bonds;

(8) to permit the Bonds to be converted to certificated securities to be held by the registered owners thereof; or

(9) for any other purpose not materially adverse to the interests of the Holders of the Bonds.

The Issuer and the Trustee may rely on an opinion of Independent Counsel as conclusive evidence that the execution and delivery of any amendment or supplemental indenture has been effected in compliance with this provision.

Supplemental Indentures Requiring Consent of Bondholders *(Section 802)*

Except for supplemental indentures as provided in this provision, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything in the Indenture to the contrary notwithstanding, to consent to and approve the execution

by the Issuer and the Trustee of such indenture or indentures supplemental to the Indenture as shall be deemed necessary or desirable by the Issuer or the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing contained in this provision shall permit or be construed as permitting (1) without the consent of the Holder of such Bond, (a) a reduction in the rate, or extension of the time of payment, of interest on any Bond, (b) a reduction of any premium payable on the redemption of any Bond, or an extension of time for such payment, or (c) a reduction in the principal amount payable on any Bond, or an extension of time in which the principal amount of any Bond is payable, whether at the stated or declared maturity or redemption thereof, (2) the creation of any Lien prior to or on a parity with the Lien of the Indenture (other than that parity Lien created to secure the Additional Bonds), (3) a reduction in the aforesaid aggregate principal amount of Bonds, the Holders of which are required to consent to any such supplemental indenture, without the consent of the Holders of all the Bonds at the time Outstanding which would be affected by the action to be taken, (4) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (5) a privilege or priority of any Bond or Bonds over any other Bond or Bonds.

If at any time the Issuer and the Trustee propose to enter into any such supplemental indenture for any of the purposes specified in this provision, the Trustee shall, upon being satisfactorily secured and indemnified as provided in Section 701(I) of the Indenture with respect to fees, costs and expenses, including, but not limited to, reasonable attorneys' fees, cause notice of the proposed execution of such supplemental indenture to be mailed to each Bondholder. Such notice, which shall be prepared by Independent Counsel, shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Office of the Trustee for inspection by all Bondholders. If, within sixty (60) days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as in the Indenture provided, no Holder of any Bond shall have any right 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 Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. In lieu of the written consent referred to above, the Trustee may rely upon the consent of the Holders of any Additional Bonds as part of their agreement to purchase such Additional Bonds at original issuance. Upon the execution of any such supplemental indenture as in this provision permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

The Issuer and the Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that the execution and delivery of a supplemental indenture has been effected in compliance with the provisions of this provision.

Supplemental Indentures; Consent of the Corporation *(Section 803)*

Notwithstanding anything contained in the Indenture to the contrary, no supplemental indenture which affects any rights or liabilities of the Corporation shall become effective unless or until the Corporation shall have consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice, which shall be prepared by Independent Counsel, of the proposed execution and delivery of any such supplemental indenture to be mailed by certified or registered mail to the Corporation at least fifteen (15) days prior to the proposed date of execution and delivery of any supplemental indenture.

The Issuer and the Trustee may rely upon an opinion of Independent Counsel as conclusive evidence whether or not a supplemental indenture affects any rights or liabilities of the Corporation within the meaning of, and for the purposes of, this provision.

Amendments to the Loan Agreement or Other Financing Documents Not Requiring Consent of Bondholders *(Section 901)*

The Issuer, the Corporation and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Loan Agreement as may be required (1) by the provisions of any Financing Document, (2) for the purpose of curing any ambiguity, inconsistency or formal defect therein or omission therefrom, (3) so as to identify more precisely the Project Facility, (4) in connection with any supplemental indenture entered into pursuant to Section 801 of the Indenture, or to effect any purpose for which there could be a supplemental indenture pursuant to Section 801 of the Indenture, (5) to obtain or maintain a rating on the Bonds from Moody's or S&P, (6) to permit the issuance of Additional Bonds, (7) [Reserved], or (8) in connection with any other supplemental indenture, but only if any such amendment, change or modification, in the sole judgment of the Trustee, is not materially adverse to the interests of the Trustee or the Bondholders.

The Issuer and the Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that the execution and delivery of any amendment, change or modification to the Loan Agreement or any other Financing Document (other than the Indenture) has been effected in compliance with the provisions of this provision.

Amendments to Loan Agreement Requiring Consent of Bondholders *(Section 902)*

Except for the amendments, changes or modifications as provided in Section 901 of the Indenture, neither the Issuer, the Corporation nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement without mailing notice thereof to, and obtaining the written approval or consent thereto of, the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given as in this provision.

If at any time the Issuer and the Corporation shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement not authorized by Section 901 of the Indenture, the Trustee shall, upon being satisfactorily secured and indemnified as provided in Section 701(I) of the Indenture with respect to fees, costs and expenses including, but not limited to, reasonable attorney's fees, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 802 of the Indenture with respect to supplemental indentures. Such notice, which shall be prepared by Independent Counsel, shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Office of the Trustee for inspection by all Bondholders.

The Issuer and the Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that the consent to the execution and delivery of any amendment, change or modification to the Loan Agreement or any other Financing Document (other than the Indenture) has been effected in compliance with the provisions of this provision.

Satisfaction Discharge of Lien *(Section 1001)*

If the Issuer (1) shall pay or cause to be paid, to the Holders and Owners of the Bonds, the principal of the Bonds and premium, if any, due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, (2) shall pay or cause to be paid from any source, to the Holders and Owners of the Bonds,

the interest to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, and (3) shall have paid all fees, costs and expenses including, but not limited to, reasonable attorney's fees of the Trustee and each paying agent, and all amounts owed to the Insurer, then these presents and the trust and rights by the Indenture granted shall cease, terminate and be void, and thereupon the Trustee shall (a) cancel and discharge the Lien of the Indenture upon the Trust Estate and the Trustee's rights under the other Financing Documents and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy same, and (b) assign and deliver to the Corporation any interest in Property at the time subject to the Lien of the Indenture and the other Financing Documents which may then be in its possession, except amounts held by the Trustee for the payment of principal of, and the interest and premium, if any, on, the Bonds.

All Outstanding Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the paragraph above, if the following conditions shall have been fulfilled: (1) in case any of the Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date as provided in the Indenture; and (2) there shall be on deposit with the Trustee moneys, which shall be either cash or Defeasance Obligations, in an amount sufficient, without the need for further investment or reinvestment, but including any scheduled interest on or increment to such obligations, to pay when due the principal, premium, if any, and interest due and to become due on the Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and to pay the Trustee for its Ordinary Services and Ordinary Expenses and for its Extraordinary Services and Extraordinary Expenses under the Indenture.

The Trustee may rely upon an opinion of an Accountant as to the sufficiency of the cash or such Defeasance Obligations on deposit.

Notwithstanding the foregoing, those provisions relating to the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust, and repayments to the Corporation from the Bond Fund, and the duties of the Trustee and the Registrar in connection with all of the foregoing, shall remain in effect and be binding upon the Trustee, the Bond Registrar, the Paying Agents and the Bondholders notwithstanding the release and discharge of the Indenture. The provisions in this Article shall survive the release, discharge and satisfaction of the Indenture.

No Recourse; Special Obligation *(Section 1109)*

The obligations and agreements of the Issuer contained in the Indenture and in the other Financing Documents and any other instrument or document executed in connection therewith, and any other instrument or document supplemental to the Indenture or thereto, shall be deemed the obligations and agreements of the Issuer, and not of any member, director, officer, agent (other than the Corporation), servant or employee of the Issuer in his individual capacity, and the members, directors, officers, agents (other than the Corporation), servants and employees of the Issuer shall not be liable personally thereon or be subject to any personal liability or accountability based upon or in respect of the Indenture or thereof or of any transaction contemplated by the Indenture or thereby.

The obligations and agreements of the Issuer contained in the Indenture shall not constitute or give rise to an obligation of the State or Westchester County, New York, and neither the State nor Westchester County, New York shall be liable thereon, and further, such obligations and agreements shall not constitute or give rise to a general obligation of the Issuer, but rather shall constitute limited obligations of the Issuer

payable solely from the revenues of the Issuer derived and to be derived from the sale or other disposition of the Project Facility (except for revenues derived by the Issuer with respect to the Unassigned Rights).

No order or decree of specific performance with respect to any of the obligations of the Issuer under the Indenture (other than pursuant to Section 502 of the Indenture, and then only to the extent of the Issuer's obligations thereunder) shall be sought or enforced against the Issuer unless the party seeking such order or decree shall first have complied with the applicable provisions of the Indenture.

The Issuer shall be entitled to the advice of counsel (who may be counsel to any party or to any Bondholder) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Issuer may rely conclusively on any notice, certificate or other document furnished to it under any Financing Document and reasonably believed by it to be genuine. The Issuer shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under any Financing Document, or omitted to be taken by it by reason of the lack of direction or instruction required for such action under any Financing Document, and shall not be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Issuer is called for by the Indenture, the Issuer may defer such action pending an investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Issuer shall in no event be liable for the application or misapplication of funds or for other acts or defaults by any Person except by its own directors, officers and employees.

In approving, concurring in or consenting to any action or in exercising any discretion or in making any determination under the Indenture, the Issuer may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties to the Indenture and the Bondholders; provided, however, that nothing in the Indenture shall be construed as conferring on any Person other than the Trustee and the Bondholders any right to notice, hearing or participation in the Issuer's consideration, and nothing in this provision shall be construed as conferring on any of them any right additional to those conferred elsewhere in the Indenture. Subject to the foregoing, the Issuer shall not unreasonably withhold any approval or consent to be given by it under the Indenture.

Provisions Regarding the Bond Insurer *(Section 1201)*

The following provisions shall prevail notwithstanding anything to the contrary in the Indenture, provided that any provision herein regarding consents, approvals, directions, appointments or requests by a Bond Insurer shall be deemed to not require or permit such consents, approvals, directions, appointments, requests or notices to the Bond Insurer and shall read as if the Bond Insurer were not mentioned therein during any time in which: (i) the Bond Insurer is then in continuous default in its obligation to make payments under the Bond Insurance Policy; (ii) a court of competent jurisdiction determines that the Bond Insurance Policy for any reason ceases to be valid and binding on the Bond Insurer; (iii) the Bond Insurer does not continue to honor its payment obligations under the Bond Insurance Policy until a court of competent jurisdiction determines the Bond Insurance Policy is invalid, or not binding; or (iv) the Insured Bonds are no longer Outstanding and any amounts due or to become due to the Bond Insurer have been paid in full.

(A) The Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds are entitled to take pursuant to the Bond Indenture, including without

limitation actions pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Insured Bond, each Insured Bondholder appoints the Bond Insurer as their agent and attorney-in-fact and agree that the Bond Insurer may at any time during the continuation of any proceeding by or against the Issuer or Corporation under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedes or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Insured Bondholder delegates and assigns to the Bond Insurer, to the fullest extent permitted by law, the rights of each Insured Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Bondholder for the Bond Insurer's benefit and agrees to cooperate with the Bond Insurer in taking any action reasonable necessary or appropriate in connection with such appointment, delegation and assignment.

In addition, the Trustee acknowledges and agrees that the Bond Insurer shall be entitled, with respect to the Insured Bonds, to direct the Trustee as holder of the Series 2020 Obligation securing the Bonds in all actions, notices and directives taken under the remedies article of the Master Trust Indenture, including such rights as the holder of such Series 2020 Obligation may have regarding declaring or noticing a breach to become an event of default.

(B) The maturity of Insured Bonds insured by the Insurer shall not be accelerated without the consent of the Insurer and in the event the maturity of the Insured Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Issuer) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Bond Insurance Policy with respect to such Insured Bonds shall be fully discharged.

(C) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(D) The Insurer shall be included as a third party beneficiary to the Indenture and the Loan Agreement.

(E) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Insured Bonds to be redeemed shall be subject to the approval of the Insurer. The exercise of any provision of the Indenture which permits the purchase of Insured Bonds in lieu of redemption shall require the prior written approval of the Insurer if any Bond so purchased is not cancelled upon purchase.

(F) Any amendment, supplement, modification to, or waiver of, the Indenture or any other transaction document (each a "Related Document"), that requires the consent of Bondholders or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

(G) The rights granted to the Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of

the Bond Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Insured Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Insured Bondholders or any other person is required in addition to the consent of the Bond Insurer.

(H) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively or (5) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the Insured Bonds unless the Bond Insurer otherwise approves.

To accomplish defeasance of the Insured Bonds, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Insured Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Insured Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Insured Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, Trustee and Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Insured Bonds shall be deemed "Outstanding" under the Bond Indenture unless and until they are in fact paid and retired or the above criteria are met.

(I) Amounts paid by the Insurer under the Bond Insurance Policy shall not be deemed paid for purposes of the Indenture and the Insured Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the Bond Indenture. The Indenture and Related Documents shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(J) Each of the Issuer and Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

(K) Claims Upon the Bond Insurance Policy and Payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Bond Indenture, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall make a claim under the Policy and give

notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Policy.

The Trustee shall designate any portion of payment of principal on Insured Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Insured Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Insured Bondholders in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under the sections hereof regarding payment of Insured Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Issuer or Corporation agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Issuer and the Corporation each hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Insurer.

(L) The Insurer shall, to the extent it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy (which subrogation rights shall also include the rights of any such recipients in

connection with any Insolvency Proceeding). Each obligation of the Issuer to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(M) The Issuer or Corporation shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(N) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of past due and current debt service on the Bonds.

(O) The Insurer shall be entitled to pay principal or interest on the Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Policy) and any amounts due on the Insured Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(P) The notice address of the Insurer is: Assured Guaranty Municipal Corp., 1633 Broadway, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. 220510-N, Telephone: (212) 974-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(Q) The Insurer shall be provided with the following information by the Issuer, Corporation or Trustee, as the case may be:

(i) Notice of any default known to the Trustee, Corporation or Issuer within five Business Days after knowledge thereof;

(ii) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(iii) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(iv) Notice of the commencement of any proceeding by or against the Issuer or Corporation commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”);

(v) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(vi) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents;

(vii) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents;

(viii) Copies of any financial statements, notices, reports or other documents delivered to the Master Trustee or the holders of Obligations pursuant to the Master Trust Indenture; and

(ix) Such additional information as the Insurer may reasonably request, including any information reasonably required to confirm the calculation of the Liquidity Covenant contained in Section 6.11 of the Supplemental Indenture for the Series 2020 Bonds.

In addition, to the extent that the Issuer or the Corporation has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Bonds, all information furnished pursuant to such agreements shall also be provided to the Insurer, simultaneously with the furnishing of such information.

(R) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Bond Indenture would adversely affect the security for the Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Policy.

(S) The Corporation will permit the Insurer to discuss the affairs, finances and accounts of the Corporation, including matters relating to the construction of the new hospital project, with appropriate officers of the Corporation and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Corporation on any business day upon reasonable prior notice.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE

MASTER INDENTURE

The Master Indenture contains terms and conditions relating to the issuance and sale of Obligations thereunder, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be complete or comprehensive and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

Amount of Indebtedness

Subject to the terms, limitations and conditions established in the Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations under the Master Indenture 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 under the Master Indenture are not limited, except as limited by the provisions thereof, including the provisions described under the heading "Limitations on Indebtedness" in the Master Indenture, or of any Supplement. Any Member of the Obligated Group proposing to incur Long-Term Indebtedness, whether evidenced by Obligations, Guaranties or by evidence of Indebtedness entered into pursuant to documents other than the Master Indenture, shall, at least seven (7) days prior to the date of the incurrence of such Indebtedness, give written notice of its intention to incur such Indebtedness, including in such notice the amount of Indebtedness to be incurred and the subsection of the appropriate section of the Master Indenture under which it will be incurred, to the Corporation with copies to other Members of the Obligated Group, any Applicable Credit Facility Issuer and to the Master Trustee, and any such Member of the Obligated Group proposing to incur such Indebtedness shall obtain the written consent of the Corporation, which consent shall be evidenced by a resolution of the Corporation's Governing Body filed with the Master Trustee. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation issued under the Master Indenture. (*Section 2.01*)

Supplement Creating Obligations

The Corporation (on behalf of the Obligated Group) and the Master Trustee may from time to time enter into a Supplement in order to create an Obligation or a Series of Obligations under the Master Indenture. Such Supplement shall, with respect to an Obligation or a Series of Obligations evidencing Indebtedness created thereby, set forth the date thereof, and the date or dates on which the principal of and premium, if any, and interest on such Obligation or Series of Obligations shall be payable, the provisions regarding discharge thereof, and the form of such Obligation or Series of Obligations and such other terms and provisions as shall conform with the provisions of the Master Indenture. In addition to the security therefor provided under the heading "Security; Restrictions on Encumbering Property; Joint and Several Obligation" in the Master Indenture, any such Obligation or Series of Obligations may be secured by such Properties and revenues of the Member of the Obligated Group as may be permitted under the Master Indenture and under the provisions of the Applicable Supplement. (*Section 2.05*)

Establishment of Funds

The following funds are authorized to be established, held and maintained under the Master Indenture by the Master Trustee, and the Master Trustee may establish for each Applicable Obligation or

Series of Obligations one or more sub-accounts, as provided under the Applicable Supplement, separate from any other funds or accounts established and maintained pursuant to any other Supplement:

Construction Fund;

Debt Service Fund;

Debt Service Reserve Fund; and Arbitrage Rebate Fund.

As indicated above, accounts and sub-accounts within each of the foregoing funds, or other funds deemed appropriate therefor, may, from time to time, be established in accordance with an Applicable Supplement, an Applicable Obligation Series Certificate or upon the direction of the Corporation. Except as otherwise provided in any Supplement or Obligations Series Certificate, all moneys at any time deposited in any fund created by the Master Indenture, other than the Applicable Arbitrage Rebate Fund, shall be held in trust for the benefit of the Holders of the Applicable Obligations or Series of Obligations, but shall nevertheless be disbursed, allocated and applied solely in connection with an Applicable Obligation or Series of Obligations for the uses and purposes provided in the Master Indenture. (*Section 5.01*)

Security for Deposits

All moneys held pursuant to a Supplement by the Master Trustee shall be continuously and fully secured, for the benefit of the Obligated Group and the Holders of the Applicable Obligation or Series of Obligations, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Master Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Master Trustee or any Paying Agent to give security for the deposit of any moneys with them and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on an Obligation or a Series of Obligations, or for the Master Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Master Indenture as an investment of such moneys. (*Section 5.02*)

Investment of Funds Held by the Master Trustee

(a) Money held pursuant to a Supplement by the Master Trustee in an Applicable Construction Fund, Applicable Debt Service Fund, Applicable Debt Service Reserve Fund and Applicable Arbitrage Rebate Fund, if permitted by law, shall, as nearly as may be practicable, be invested by the Master Trustee, upon direction of the Corporation (on behalf of the Obligated Group) given or confirmed in writing (which direction shall specify the amount thereof to be so invested), in Government Obligations, deposits fully insured by the Federal Deposit Insurance Corporation or Exempt Obligations.

(b) In lieu of the investment of moneys in obligations authorized in subdivision (a) above, the Master Trustee shall, to the extent permitted by law, upon direction of the Corporation 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 Corporation 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 shall permit the moneys so deposited or invested to be available for use at the times at, and

in the amounts in, which the Corporation reasonably believes such moneys will be required for the purposes of the Master Indenture, (x) all moneys in each such interest-bearing time deposit, certificate of deposit or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in Government Obligations of a market value determined by the Master 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 shall be deposited with and held by the Master Trustee or an agent of the Master Trustee approved by the Corporation, and (z) the Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangements shall be free and clear of claims of any other person.

(c) Obligations purchased or other investments made as an investment of moneys in any fund held by the Master Trustee under the provisions of any Supplement shall 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 shall be retained in, credited or charged, as the case may be, to such fund unless otherwise provided in such Supplement.

(d) In computing the amount in any fund held by the Master Trustee under the provisions of the Master Indenture, obligations purchased as an investment of moneys therein or held therein shall 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 shall be valued at the market value thereof, plus accrued interest and except that Investment Agreements shall be valued at original cost, plus accrued interest.

(e) The Corporation, in its discretion, may direct the Master Trustee to, and the Master Trustee shall, sell, or present for redemption or exchange any investment held by the Master Trustee pursuant to the Master Indenture and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Master Indenture, the Master Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Master Indenture whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Master Trustee shall advise the Corporation 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 Master Indenture and of the details of all investments held for the credit of each fund in its custody under the provisions of the Master Indenture as of the end of the preceding month and as to whether such investments comply with the provisions of subdivisions (a), (b) and (c) of this section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Master Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

(f) No part of the proceeds of any Applicable Obligation or Series of Obligations or any other funds of the Corporation shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Obligation to be an "arbitrage bond" within the meaning of Section 148(a) of the Code. (*Section 5.03*)

Security; Restrictions on Encumbering Property; Joint and Several Obligation

(a) Pursuant to the Master Indenture, the Gross Receipts are pledged and assigned to the Master Trustee as security for the payment of all Obligations and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under any Obligation, all in accordance with the provisions of the Master Indenture and thereof. The pledge made thereby is valid, binding and perfected from the time when made and the Gross Receipts shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be

valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against any Member of the Obligated Group 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.

(b) All funds and accounts authorized by the Master Indenture and established pursuant to an Applicable Supplement, other than an Applicable Arbitrage Rebate Fund, are subject to the Applicable Supplement, pledged and assigned to the Master Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Obligation or Series of Obligations and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under the Applicable Supplement with respect to such Obligation or Series of Obligations, all in accordance with the provisions of the Master Indenture and thereof. Such pledge, subject to the adoption of the Applicable Supplement, shall relate only to the Applicable Obligation or Series of Obligations authorized by such Supplement and no other Obligation or Series of Obligations and such pledge shall not secure any such other Obligation or Series of Obligations other than the Applicable Obligations or Series of Obligations. Such pledge is valid, binding and perfected from the time when the pledge attaches, and all funds and accounts established by the Master Indenture and pursuant to the Applicable Supplement which are pledged by the Master Indenture and pursuant to the Applicable Supplement shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against any Member of the Obligated Group 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.

(c) Each Obligation and Series of Obligations shall be special obligations of the Obligated Group payable solely from and secured by a pledge of the Gross Receipts and, as and to the extent provided in the Applicable Supplement, the funds and accounts established by the Master Indenture and pursuant to the Applicable Supplement, which pledge shall constitute a first lien thereon.

(d) Upon the occurrence and continuance of any Event of Default, all such Gross Receipts and any funds and accounts pledged and assigned as security for Applicable Obligations shall be held in trust for the Holders from time to time of the Applicable Obligations issued and Outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation, except as otherwise set forth in the Applicable Supplement; provided that the Holders of Obligations designated as Subordinate Obligations shall have only such rights to such security as shall be set forth in the Applicable Supplement, the Applicable Obligations Series Certificate or other document creating the Subordinate Obligations; and provided, further, that the Holders of Obligations designated as Senior Obligations shall have no right, title or claim to or against any moneys paid by the County, unless otherwise provided in the Applicable Supplement, the Obligations Series Certificate or other document creating the Senior Obligation. If any Event of Default shall have occurred, any Gross Receipts thereafter received shall immediately, upon receipt, be transferred into the Gross Receipts Fund established pursuant to the Master Indenture for disposition as therein provided by the Master Trustee. Prior to the receipt of the written request of the Holders by the Master Trustee, in accordance with the Master Indenture, any Member of the Obligated Group may transfer all or any part of its Gross Receipts free of such security interest, subject, however, to the provisions of the Master Indenture. In the event of such transfer, upon the request and at the expense 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.

(e) At least one Business Day prior to the delivery of the first Obligation under the Master Indenture, there shall be delivered to the Master Trustee duly executed financing statements evidencing the security interests of the Master Trustee in the Gross Receipts and other amounts pledged under the Master Indenture and under the Applicable Supplement 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 and in the offices of the applicable county clerks. Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to the Master Indenture as may be necessary or appropriate to include as security the Gross Receipts and other amounts pledged under the Master Indenture and under the Applicable Supplement. In addition, each Member of the Obligated Group has covenanted 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 the Master Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to the 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 under the Master Indenture 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.

(f) 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 the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture, the Applicable Supplement, the Applicable Obligations Series Certificate and in said Obligation according to the terms of the Master Indenture and thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise. (*Section 6.01*)

Covenants as to Corporate Existence, Maintenance of Properties, Etc.

Each Member of the Obligated Group covenants in the Master Indenture:

(a) Except as otherwise expressly provided in the Master Indenture, 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 in the Master Indenture 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 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 in the Master Indenture 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 under the Master Indenture) whose validity, amount or collectability 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 in all material respects 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 to operate its business; provided, however, that it need not comply with this section (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 the 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 Outstanding Obligations which bear 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, 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 such Outstanding Obligation becoming included in the gross income of the holder thereof for federal income tax purposes. (Section 6.02)

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 Corporation 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 Corporation that such recommendations,

in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in this "Insurance" 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 Corporation 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 6.03*)

Insurance and Condemnation Proceeds

(a) Unless otherwise provided in the Applicable Supplement, 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 or as condemnation awards 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 the Applicable Supplement.

(b) Unless otherwise provided in the Applicable Supplement, 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 or as condemnation awards 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 at least equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of the Applicable Supplement; provided, however, that such amounts may be used in such manner as the recipient may determine, if the recipient notifies the Master Trustee and within twelve (12) months after the casualty loss or taking, delivers to the Master Trustee;

(i) (A) An Officer's Certificate of the Corporation 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 subsection (i) of this section 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 Corporation 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, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii) of this section. (*Section 6.04*)

Limitations on Creation of Liens

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.

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 the Master Indenture, which is set forth in this section or on Schedule A

attached to the Master Indenture, 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 of the Master Indenture, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture. Liens existing on the date of authentication and delivery of the initial Obligation includes the lien of Article 28 of the Transition Agreement and Article 42 of the Lease Agreement;

(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 the Master Indenture;

(vii) Any Lien securing Non-Recourse Indebtedness permitted by subsection (d) under the heading "Limitations on Indebtedness" herein;

(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 the heading "Limitations on Indebtedness" herein, 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 of the Master Indenture on creation of Liens on Property of the Obligated Group;

(ix) So long as no Event of Default exists under the Master Indenture, any Lien on accounts receivable and the proceeds from the sale thereof securing Indebtedness, which conforms to the limitations contained under the provisions of the heading "Limitations on Indebtedness" herein;

(x) Any Lien on Property which secures Indebtedness that does not exceed 20% of Net Property, Plant and Equipment as reflected in the most recent Audited Financial Statements;

(xi) 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;

(xii) 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 Indebtedness;

(xiii) Any Lien securing all Senior Obligations on a parity basis or any Lien securing all Subordinate Obligations on a parity basis;

(xiv) 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;

(xv) 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;

(xvi) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group;

(xvii) Any lien on equipment incurred in connection with the lease or acquisition of same; and

(xviii) Any Lien on Excluded Property. (*Section 6.05*)

Limitations on Indebtedness

Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to any one of subsections (a) to (g), inclusive, of this section "Limitations on Indebtedness". Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections. Each Member of the Obligated Group further covenants and agrees that it will not incur any Additional Indebtedness without the written consent of the Corporation, as evidenced by an Officer's Certificate to be delivered to the Master Trustee prior to the incurrence of such Additional Indebtedness and a certified resolution of the Governing Board of such Member of the Obligated Group.

(a) Long-Term Indebtedness may be incurred without the need to meet any tests or provide certification to the Master Trustee if the aggregate principal amount of such Indebtedness does not exceed $2.5 million in any calendar year, or if, prior to incurrence of the Long-Term Indebtedness, there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Corporation certifying that:

(A) The cumulative principal amount of all then outstanding Long-Term Indebtedness incurred pursuant to this subsection (a)(i)(A), together with the Indebtedness then to be issued, does not exceed 20% of Net Property, Plant and Equipment as reflected in the most recently Audited Financial Statements, or

(B) The Long-Term Debt Service Coverage Ratio 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 Corporation 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 1.35; or

(ii) (1) An Officer's Certificate of the Corporation demonstrating that the Long-Term Debt Service Coverage Ratio for each of the two periods mentioned in subsection (a)(i)(B) of this section, excluding the proposed Long-Term Indebtedness, is at least 1.35 and (2) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio, including the proposed Long-Term Indebtedness, is not less than 1.35 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance Capital Additions, each of the two full Fiscal Years 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, each of the two full Fiscal Years 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 (a)(ii) may be evidenced by a certificate of the Corporation in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in this subsection (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) if 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 Corporation demonstrating that Maximum Annual Debt Service will not increase by more than 15% 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) if the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Corporation stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Applicable 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 15%.

(c) Short-Term Indebtedness may be incurred in the ordinary course of business 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 (12) consecutive months for which Audited Financial Statements are available; provided, however, that there shall be a period of at least thirty (30) consecutive calendar days during each such period of twelve (12) 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 subsection (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 (c), Short-Term Indebtedness secured by accounts receivable shall not be taken into account except to the extent provided in subsection (f) of this section.

(d) Non-Recourse Indebtedness may be incurred without limit.

(e) Subordinate Obligations may be incurred with the same limits as Senior Obligations and subject to the terms of the Applicable Supplement or Applicable Obligations Series Certificate.

(f) Short-Term Indebtedness secured by accounts receivable may be incurred within the limitations imposed on the pledge or sale of accounts receivable provided by the last paragraph of this section "Limitations on Indebtedness"; 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 (c) of this section.

(g) Indebtedness may be incurred 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 Corporation to the effect that the Corporation did reasonably expect at the time the initial Applicable Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the Capital Addition, (ii) the aggregate principal amount of such completion Indebtedness does not exceed twenty percent (20%) of the aggregate principal amount of the initial Applicable Indebtedness, and (iii) an architect's certificate to the effect that the proceeds of the completion Indebtedness will be sufficient to complete the Capital Addition; provided, that in addition to the foregoing, Indebtedness may also be incurred for the purpose of financing the completion of the acquisition or construction of the Children's Hospital project.

Indebtedness incurred pursuant to any one of subsections (a)(i) or a(ii) of this section "Limitations on Indebtedness" may be reclassified by the Corporation 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.

Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance with the Master Indenture 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 of or encumbered. In the event of such sale, pledge, assignment or other disposition or encumbrance, upon the request and at the expense of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so sold, pledged, assigned or otherwise disposed of or encumbered. (*Section 6.06*)

Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Sale of Accounts; Unsecured Loans to Non-Members

(a) Each Member of the Obligated Group agrees that it will not transfer Property, other than cash, marketable securities or other liquid investments, all of which shall be subject to the limitations in subsection (b) of this section, in any Fiscal Year (or other twelve-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 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 1.20 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 10% of the Book Value of all Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year.

(v) To any Person if the Property Transferred pursuant to this subsection (v) was transferred in the ordinary course of business, and at fair and reasonable terms, no less favorable to the Member of the Obligated Group, which could have been attained in a comparable arms-length transaction; provided further, however, that the proceeds from such Property Transferred are used only to acquire Property or to repay Long-Term Indebtedness.

(vi) To a Person which at the time of the Transfer is not a Member of the Obligated Group or successor corporation pursuant to 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.

(b) Each Member of the Obligated Group will not donate, transfer, exchange or otherwise dispose of cash, marketable securities or other liquid investments to any Person other than a Member of the Obligated Group, unless (i) immediately subsequent to any such donation, transfer, exchange or disposition the combined Days-Cash-On-Hand of the Members of the Obligated Group shall at least equal fifty (50), (ii) the cash and marked-to-market value of marketable securities and other liquid investments so transferred during the preceding twelve-month period does not exceed twenty percent (20%) of the Obligated Group's unencumbered cash, marketable securities and other liquid investments as of the date of calculation, and (iii) the Current Ratio immediately following such transfer shall not be less than 1:1; provided, however, such conditions shall not apply if such transfer complies with the provisions of subsection (a)(v) above. Notwithstanding the foregoing, assets may always be shifted among cash, marketable securities and other liquid investments.

(c) 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 under the heading "Limitations on Indebtedness" herein regarding the aggregate limit on the pledge, sale or other disposition or encumbrance of accounts receivable. (*Section 6.08*)

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 the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture, any Applicable Supplement to the Master Indenture and any Obligations Series Certificate; 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 the Master Indenture, any Supplement and any Obligations Series Certificate; and

(iii) If all amounts due or to become due on any Outstanding Obligations which bear 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 Outstanding Obligation, would not adversely affect the exclusion of interest payable on such Outstanding, Obligation 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 Corporation demonstrating that 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) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, as a Member of the Obligated Group pursuant to the Master Indenture, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable under the Master Indenture; and upon the order of such successor corporation and subject to all the terms, conditions and limitations prescribed in the Master Indenture, 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 in exchange for and upon surrender of existing Obligations. All Outstanding Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same security position and benefit under the Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued under the Master Indenture 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 the Master Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subparagraph (a)(iv) of this section 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 of the Master Indenture and of this section to join in the execution of any instrument required to be executed and delivered by this section.

(e) All references in the Master Indenture to successor corporations shall be deemed to include the surviving corporation in a merger. (*Section 6.09*)

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 (165) days after the end of each Fiscal Year, file with the Municipal Securities Rulemaking Board, the Master Trustee, each Credit Facility Issuer, each Facility Provider, each Rating Service(s) 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 sixty-five (165) days after the end of each fiscal reporting period, file with each Repository, the Master Trustee, the County, each Credit Facility Issuer, each Facility Provider, each Rating Service(s) and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate and a report of independent certified public accountants stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and an Officer's Certificate 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) Within sixty (60) days after the last day of each of the first three quarters in each fiscal year, file with the MSRB, the Master Trustee, each Credit Facility Issuer, each Facility Provider, each Rating Service(s) and with each holder who is the registered owner of in excess of an aggregate $1 million principal amount of Bonds or on whose behalf the Master Trustee may have so requested, the following information: (A) the unaudited financial statements of the Obligated Group, including the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flows, (B) utilization statistics of the Obligated Group 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 Obligated Group by major payor mix for such quarter.

(d) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee, each Credit Facility Issuer, each Rating Service(s), and each Facility Provider such other financial statements and information concerning its operations and financial affairs (including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee, each Credit Facility Issuer and each Facility Provider 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.

(e) Within thirty (30) days after its receipt thereof, file with the Master Trustee and each Rating Service(s) a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or an Insurance Consultant. (*Section 6.10*)

Parties Becoming Members of the Obligated Group

Persons which are not Members of the Obligated Group may, with the prior written consent of the Corporation, and corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted under the heading "Consolidation, Merger, Sale or Conveyance" herein shall, 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 the Master Indenture, each Supplement and each Obligations Series Certificate and thereby become subject to compliance with all provisions of the Master Indenture, each Supplement and each Obligations Series Certificate, and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Indenture, (ii) to adopt the same Fiscal Year as that of the Corporation, and (iii) 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 under the Master Indenture will be paid in accordance with the terms thereof and of the 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 and each 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 and laws dealing with fraudulent conveyances.

(c) If all amounts due or to become due on any Outstanding Obligations 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 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 Outstanding Obligations 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 such Outstanding Obligations under the Securities Act of 1933, as amended, or the qualification of the Master Indenture and all Supplements thereunder pursuant to 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) After giving effect to the admission of such Person as a Member of the Obligated Group, the combined general fund net assets of such Person (or the excess of such Person's assets over its liabilities, as the case may be) and the general fund net assets (plus the excess of assets over liabilities. if applicable) of the Obligated Group is not less than 80% of the general fund net assets (plus the excess of assets over liabilities, if applicable) 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.

(e) Any Indebtedness previously incurred by a new Member of the Obligated Group 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, lien or security interest could have been created pursuant to the provisions outlined under the headings "Limitations on Creation of Liens" and "Limitations on

Indebtedness" herein immediately after such Person became a Member of the Obligated Group. (*Section 6.11*)

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 Corporation 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 Outstanding Obligation 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 Outstanding Obligation, would not cause the interest payable on such Outstanding Obligation to become includable in the gross income of the recipient thereof under the Code;

(ii) (A) An Officer's Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that the conditions described in subsection (a)(i)(B) under the heading "Limitations on Indebtedness" herein have been satisfied for the incurrence of an additional one dollar ($1.00) of Additional Indebtedness, assuming such withdrawal to have occurred at the beginning of the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available; (B) an Officer's Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available (x) would not, if such withdrawal had occurred at the beginning of such period, be reduced by more than 35%; provided, however, that in no event shall such ratio be reduced to less than 1.20 or (y) would be greater than in the absence of such withdrawal; (C) an Officer's Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that after giving effect to the exit of such Member of the Obligated Group, the general fund balance of the Obligated Group is not less than 90% of the general fund balance of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Member of the Obligated Group will be leaving the Obligated Group; (D) a written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two periods of 12 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 (D) above may be evidenced by an Officer's Certificate of the Corporation in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio for each of the two periods of twelve (12) full consecutive calendar months succeeding the proposed date of such withdrawal is equal to or greater than 2.00 and not less than 65% of what it would have been were such withdrawal not to take place, assuming such withdrawal had occurred on the first day of the most recent twelve-month period for which Audited Financial Statements of the Obligated Group are available; and (E) after giving affect to the withdrawal of such Member, no Member of the Obligated Group will be in default in the performance of any covenant contained in the Master Indenture; and

(iii) An Opinion of Counsel, addressed and satisfactory to the Master Trustee, and each Credit Facility Issuer to the effect that such withdrawal is authorized by and complies with all Governmental Restrictions and the provisions of the Master Indenture, the Supplements, the Obligations Series Certificates and any agreements or other documents relating to the Master Indenture, the Supplements, the Obligation Series Certificates and the Obligations.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this section, any Guaranty by such Member pursuant to the Master Indenture shall be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall cease.

(c) Notwithstanding any provision of the Master Indenture to the contrary, the Corporation may not withdraw from the Obligated Group. (*Section 6.12*)

Required Ratios

(a) Except as otherwise provided in the Master Indenture, the Obligated Group shall maintain the Required Ratios. The Required Ratios will be tested semi-annually based on the Obligated Group's unaudited financial statements as of June 30 and based on audited financial statements as of December 31 of each year. The Corporation shall deliver an Officer's Certificate not later than sixty (60) days following each June 30 and not later than one hundred and twenty (120) days after each December 31 to the Master Trustee, certifying as to the compliance with Required Ratios or the Section under the Master Indenture pursuant to which either one of the Required Ratios was allowed to remain unsatisfied.

(b) If the Long-Term Debt Service Coverage Ratio is less than 1.25 or the Cushion Ratio is less than 1.25 then the Obligated Group shall within seventy-five (75) days of the end of such fiscal quarter, (i) prepare a scope of work for a Consultant in form and content acceptable to the Master Trustee, (ii) retain a Consultant acceptable to the Master Trustee, (iii) require such Consultant, within fifteen (15) days of its appointment, to commence work on a report to be delivered to the Obligated Group and the Master Trustee recommending changes with respect to the operation and management of the Obligated Group's facilities and (iv) to the extent permitted by law, implement such Consultant's recommendation in a timely manner. Any report of a Consultant prepared within the previous 12-month period pursuant to this section "Required Ratios" shall, if meeting the requirements of clause (iii) above, be deemed to satisfy the foregoing requirement to procure a Consultant's report.

(c) For so long as the Obligated Group is not in compliance with the Required Ratios, the Corporation shall deliver to the Master Trustee (i) within thirty (30) days of delivery of a Consultant's report pursuant to paragraph (b) above, a certified copy of a resolution adopted by the Obligated Group's Governing Body accepting such report on behalf of itself and the other Members of the Obligated Group and a report setting forth in reasonable details the steps the Obligated Group proposes to take to implement the recommendations of such Consultant, and (ii) quarterly reports showing the progress made by the Obligated Group in achieving compliance with the Required Ratios and, if applicable, implementing the recommendations of the Consultant.

(d) If the Obligated Group shall fail to maintain the Required Ratios as required by paragraph (a) above, the Obligated Group shall nonetheless be considered to be in compliance with this section so long as the Obligated Group has satisfied the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the Master Trustee. If the Obligated Group shall fail (i) to provide the Governing Body Officer's Certificate required by paragraph (a) above or (ii) to satisfy the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the Master Trustee, and the Master Trustee shall be entitled to notify the members of the Obligated Group's Governing Body and of each Member's Governing Body of such noncompliance, and to enforce the provisions of this section by specific performance. In no event, however, shall failure to satisfy the provisions of this section constitute an Event of Default under the Master Indenture, it being understood that the sole remedies for noncompliance shall be the right of the Master Trustee to seek specific performance and/or to notify the members of the Governing Bodies of each Obligated Group Member as aforesaid. (*Section 6.13*) See also "SUPPLEMENTAL INDENTURE - Supplements to Master Indenture relating to Series 2020 Bonds"

Events of Default

"Event of Default as used in the Master Indenture, 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 on any Obligation issued and Outstanding under the Master Indenture 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 the Master Indenture, the Applicable Supplement or the Applicable Obligations Series Certificate. For purposes of this subsection (a), a payment by the Credit Facility Provider shall be deemed a payment by the Members of the Obligated Group;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under the 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 by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding or by any Credit Facility Issuer, if any, with respect to an Obligation; 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) (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 under the Master Indenture), 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 thirty (30) days (y) written notice is delivered to the Master Trustee, signed by the Corporation, 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 or (z) 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:

(d) 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 pan 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

(e) 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 7.01*)

Acceleration; Annulment of Acceleration

(a) Upon the occurrence and during the continuation of an Event of Default under the Master Indenture, the Master Trustee may and, upon the written request of the Holders (subject to the provisions of "Holders' Control of Proceedings" below) of not less than 25% in aggregate principal amount of all Senior 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. In the event Obligations are accelerated, there shall be due and payable on such Obligations, subject to the priority of payments set forth under the heading "Application of Moneys after Default" below, 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 under the Master Indenture 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 the provisions of "Waiver of Event of Default" below, then the Master Trustee may, and upon the written request of Holders (subject to the provisions of "Holders' Control of Proceedings" below) of not less than 25% in aggregate principal amount of the Senior Obligations then Outstanding (or if no Senior Obligations are any longer Outstanding, then the Holders of not less than 25% in aggregate principal amount of the Subordinate 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 7.02*)

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 (subject to the provisions of "Holders' Control of Proceedings" below) of not less than 25% in aggregate principal amount of the Obligations Outstanding to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of any Credit Facility Issuer and/or the Holders under the Master Indenture 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 any Credit Facility Issuer and/or the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) 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 such Person were the trustee of an express trust for any Credit Facility Issuer and/or the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of any Credit Facility Issuer and/or the Holders:

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of New York, and

(vi) Enforcement of any other right of any Credit Facility Issuer and/or the Holders conferred by law or by the Master Indenture.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders (subject to the provisions of "Holders' Control of Proceedings" below) of not less than 25% in aggregate principal amount of the Senior Obligations then Outstanding (or if no Senior Obligations are any longer Outstanding, then the Holders of not less than 25% in aggregate principal amount of the Subordinate Obligation Outstanding) 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 under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of each Credit Facility Issuer and/or 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 of the Master Indenture and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of each Credit Facility Issuer and/or the Holders not making such request.

(c) Upon the occurrence of an 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 Fund into which shall be deposited all Gross Receipts as and when received. All amounts deposited into the Gross Receipts Fund shall be applied by the Master Trustee or made available to any Paying Agent for application pursuant to the provisions under the heading "Application of Moneys after Default" herein. Pending such application, all such moneys and investments in the Gross Receipts Fund shall be held for the equal and ratable benefit of all Obligations outstanding in order of their priority and subject to the provisions under the heading "Application of Moneys after Default" herein; provided, that amounts held in the Gross Receipts 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 7.03*)

Application of Moneys after Default

During the continuance of an Event of Default, 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, (i) after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee pursuant to Section 8.05 of the Master Indenture, and (ii) by the Master Trustee in the priority set forth below:

(a) Unless the principal of 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 Senior Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest coming due on Senior Obligations maturing on the same 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 Senior Obligations 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 the unpaid principal of all Senior Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference;

Third: To the extent there exists a Credit Facility Issuer of any Senior Obligations, to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group with respect to such Senior Obligations and not otherwise paid under clauses First and Second above;

Fourth: To the payment to the Persons entitled thereto of all installments of interest then due on Subordinate Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest due on Subordinate Obligations maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Fifth: To the payment to the Persons entitled thereto of the unpaid principal installments of any Subordinate Obligations 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 the unpaid principal of all Subordinate Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference; and

Sixth: To the extent there exists a Credit Facility Issuer of any Subordinate Obligations, to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group with respect to such Subordinate Obligations and not otherwise paid under clauses Fourth and Fifth above.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment of the principal and interest then due and unpaid upon Senior Obligations 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 Senior Obligation over any other Senior Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference;

Second: To the payment of the principal and interest then due and unpaid upon Subordinate Obligations 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 Subordinate Obligation over any other Subordinate Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference;

Third: To the extent there exists a Credit Facility Issuer of any Senior Obligations to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clause First above; and

Fourth: To the extent there exists a Credit Facility Issuer of any Subordinate Obligations, to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clause Second above.

(c) If the principal of 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 paragraph (b) of this section in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (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, but subject to the priorities established under subsections (a) and (b) above, 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 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. Unless otherwise provided in this Indenture, the Master Trustee shall sell or present for redemption, any Government Obligation so acquired whenever it shall be necessary to do so to provide moneys to make payments or transfers from the Gross Receipts 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 Fund shall be credited to the Gross Receipts Fund and retained therein until applied to approved purposes.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section, all obligations owing to any Credit Facility Issuer 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 7.04*)

Remedies Not Exclusive

No remedy by the terms of the Master Indenture 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 under the Master Indenture or existing at law or in equity or by statute on or after the date of the Master Indenture. (*Section 7.05*)

Remedies Vested in the Master Trustee

All rights of action (including the right to file proof of claims) under the Master Indenture 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 "Application of Moneys after Default" above, any recovery or judgment shall be for the equal benefit of the Holders. (*Section 7.06*)

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 Senior Obligations then Outstanding or, if no Senior Obligations remain Outstanding, then the Holders of not less than a majority in aggregate principal amount of Subordinate Obligations, 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 of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture, provided that such direction is not in conflict with any applicable law or the provisions of the Master Indenture, and is not unduly prejudicial to the interest of any Holders (excluding Subordinate Obligation 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 under the Master Indenture which it may deem proper and which is not inconsistent with such direction by the Holders; provided, further, however, that each Credit Facility Issuer that has not defaulted under the Applicable Credit Facility, with regard to an Applicable Obligation or Series of Obligations, and not the Holders, shall have the right to control proceedings with respect thereto in the manner described in Article VII of the Master Indenture. (*Section 7.07*)

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 each Credit Facility Issuer and/or the Holders, then the Members of the Obligated Group, the Master Trustee and each Credit Facility Issuer and/or the Holders shall be restored to their former positions and rights under the Master Indenture, and all rights, remedies and powers of the Master Trustee and each Credit Facility Issuer and/or the Holders shall continue as if no such proceeding had been taken. (*Section 7.08*)

Waiver of Event of Default

(a) No delay or omission of the Master Trustee or of each Credit Facility Issuer and/or 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 each Credit Facility Issuer and/or 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 Applicable Series of Obligations 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 of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture.

(c) Notwithstanding anything contained in the Master Indenture to the contrary, the Master Trustee, upon the written request of the Holders (subject to the provisions under the heading "Holders' Control of Proceedings" herein) of not less than a majority of the aggregate principal amount of Senior Obligations then Outstanding (or if no Senior Obligations are any longer Outstanding, then the Holders of not less than a majority in aggregate principal amount of the Subordinate Obligation Outstanding), shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) under the heading "Acceleration; Annulment of Acceleration" herein, a default in the payment of the principal of, premium, if any, or interest on any Senior 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 (subject to the provisions under the heading "Holders' Control of Proceedings" herein) of all the Senior 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 under the Master Indenture, the Members of the Obligated Group, the Master Trustee and each Credit Facility Issuer and/or the Holders shall be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. (*Section 7.09*)

Appointment of Receiver

Upon the occurrence of any Event of Default described in subsection (a), (e) or (f) under the heading "Events of Default" herein, unless the same shall have been waived as provided in the Master Indenture, 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 of the Master Indenture or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or each Credit Facility Issuer and/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, consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Master 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 7.10*)

Remedies Subject to Provisions of Law

All rights, remedies and powers provided by Article VII of the Master Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of such 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 of the Master Indenture invalid or unenforceable under the provisions of any applicable law. (*Section 7.11*)

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 each Credit Facility Issuer, the Rating Service(s) 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) under the heading "Events of Default" herein, 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 Credit Facility Issuer and the Holders. (*Section 7.12*)

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 in the Master Indenture.

(b) To correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not materially and adversely affect the interests of the Holders.

(c) To grant or confer ratably upon all of the Holders of Senior Obligations and/or Subordinate Obligations any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of subsection (a) under the heading "Supplements Requiring Consent of holders" below.

(d) To qualify the Master Indenture or any Supplement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) Subject to satisfaction of the conditions established therefor in Article VI of the Master Indenture, to create and provide for the issuance of Indebtedness as permitted under the Master Indenture, so long as no Event of Default has occurred and is continuing under the Master Indenture.

(f) To obligate a successor to any Member of the Obligated Group as provided under the heading "Parties Becoming Members of the Obligated Group" herein.

(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 the 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 the Master Indenture has occurred and is continuing, to make any change to the provisions of the Master Indenture (except as set forth below) if the following conditions are met:

(i) the Corporation delivers to the Master Trustee prior to the date such amendment is to take effect either (A)(1) a Consultant's report to the effect that the proposed amendment is consistent with then current industry standards for comparable institutions and (2) an Officer's Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 consecutive calendar months preceding the date of delivery of the report for which there are Audited Financial Statements available was at least 1.75; or (B) evidence satisfactory to the Master Trustee to the effect that (i) if required by the terms of the Applicable Supplement or the Applicable Obligations Series Certificate, there exists for each Senior Obligation, a Credit Facility or for each Subordinate Obligation, and (ii) evidence satisfactory to the Master Trustee from each Rating Service then rating any Obligation described in subsection (B)(i) above that, on the date the proposed change is to take effect, the rating(s) assigned to each such Obligation will not be lower than the ratings applicable to such Obligation on the day prior to the effective date of such change;

(ii) each Credit Facility Issuer of any Obligation or Series of Obligations that may be affected by the proposed amendment, supplement or modifications shall consent in writing to such amendment, supplement or modification; and

(iii) with respect to each Applicable Obligation or Series of Obligations then Outstanding under the Master Indenture, the interest on which is excluded from federal income taxes under the Code, 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 such Obligation or Series of Obligations or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Obligation or Series of Obligations would otherwise be entitled.

provided, however, that no amendment shall be made pursuant to this clause (h) which would have the effect, directly or indirectly, of changing or providing an alternative to (1) any provision of the Master Indenture requiring the maintenance or demonstration of a Long-Term Debt Service Coverage Ratio, except to reduce such ratio, but in no event shall such ratio be reduced to less than 1.10 (or less than 1.00 if Governmental Restrictions make it impossible for a Long-Term Debt Service Coverage Ratio of at least 1.10 to be maintained or demonstrated), (2) the definition of any term used in the calculation of the Long-Term Debt Service Coverage Ratio, Current Ratio, Cushion Ratio or Days' Cash on Hand or the amount of Long-Term Indebtedness or Short-Term Indebtedness, or the definitions of Affiliate, Audited Financial Statements, Book Value, Non-Recourse Indebtedness, Operating Assets, Property, Plant and Equipment or Total Operating Revenues, or (3) certain specified Sections and subsections of the Master Indenture. (*Section 9.01*)

Supplements Requiring Consent of Holders

(a) Other than Supplements referred to in the foregoing section and subject to the terms and provisions and limitations contained in Article IX of the Master Indenture and not otherwise, the Holders of not less than 51% in aggregate principal amount of Senior Obligations (or Subordinate Obligations if so affected) then Outstanding shall have the right, with consent of each Credit Facility Issuer insuring such Senior Obligations from time to time, anything contained in the Master Indenture 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 Master 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 in the Master Indenture; 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 each Holder of such Obligation;

(ii) Permit the preference or priority not previously agreed to of any Obligation over any other Obligation, without the consent of the Holders of each Obligation 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 each Obligation 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 respective 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 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 the 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 in the Master Indenture 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. (*Section 9.02*)

Execution and Effect of Supplements

(a) In executing any Supplement permitted by Article IX of the Master Indenture, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted by the Master Indenture. The Master Trustee may but shall not be obligated to enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Supplement in accordance with Article IX of the Master Indenture, the provisions of the Master Indenture shall be modified in accordance therewith and such Supplement shall form a part of the Master Indenture for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered under the Master Indenture shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the issuer of such Obligation or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement. If the Corporation (acting on behalf of the Obligated Group) or the Master Trustee shall so determine, new Obligations, modified so as to conform (in the opinion of the Master Trustee and the Corporation) to any such Supplement may be prepared and executed by the Corporation (acting on behalf of the Obligated Group) and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding. (*Section 9.03*)

Credit Facility Issuer as Holder

If a Credit Facility Issuer has issued a Credit Facility for any Applicable Obligations, and provided that no Credit Facility Default has occurred and is continuing in connection therewith, such Credit Facility Issuer shall be deemed the Holder of such Applicable Obligations for purposes of Article IX of the Master Indenture and such other purposes as may be set forth in the Applicable Supplement or the Applicable Obligations Series Certificate. (*Section 9.04*)

Satisfaction and Discharge of Indenture

If (i) the Obligated Group shall deliver to the Master Trustee for cancellation an Obligation or all Obligations of a Series theretofore authenticated pursuant to the Master Indenture and the Applicable Supplement (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) an Obligation or all Obligations of a Series not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money and/or Defeasance Securities sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) an Obligation or all Obligations of a Series 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 under the Master Indenture and under the Applicable Supplement, Applicable Obligations Series Certificate and Applicable Obligations by the Members of the Obligated Group or any thereof, then the Master Indenture, as and to the extent it applies to the Applicable Obligation or Series of Obligations and the Applicable Supplement, 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 the Master Indenture, as and to the extent it applies to the Applicable Obligation or Series of Obligations and the Applicable Supplement. Each Member of the Obligated Group, respectively, 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 the Master Indenture, as and to the extent it applies to the Applicable Obligation or Series of Obligations and the Applicable Supplement. (*Section 10.01*)

Payment of Obligations after Discharge of Lien

Notwithstanding the discharge of the lien of the Master Indenture as provided in Article X thereof, the Master Trustee shall nevertheless retain such rights, powers and duties under the Master Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Applicable Obligation or Series of Obligations and the registration, transfer, exchange and replacement of the Applicable Obligation or Series of Obligations as provided in the Master Indenture.

Nevertheless, any moneys held by the Master Trustee or any Paying Agent for the payment of the principal of, premium, if any, or interest on the Applicable Obligation or Series of Obligations remaining unclaimed for five years after the principal of the Applicable Obligations or Series of Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided in the Master Indenture, shall then be paid to the Members of the Obligated Group, as their interests may appear, and the Holders of any Obligations not theretofore presented for payment shall thereafter be entitled to look only to the Members of the Obligated Group for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease. (*Section 10.02*)

SUPPLEMENTAL INDENTURE

Supplements to Master Indenture relating to Series 2020 Bonds

For so long as any of the Series 2020 Bonds remain Outstanding, the Master Indenture is hereby supplemented:

(a) To add a new sub-paragraph (f) to Section 6.10 of the Master Indenture as follows:

The Corporation shall provide, 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 the Master Trustee, the MSRB and each Bondholder who is the registered owner of in excess of an aggregate $1 million principal amount of Series 2020 Bonds who has so requested, the following information: (a) the unaudited financial statements of the Corporation, including the balance sheet as of the end of such quarter, the statement of operations, changes to net assets and cash flows; (b) utilization statistics of the Corporation for such quarter, including aggregate discharges, 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 Corporation by major payor mix for such quarter. Within three (3) days of receipt of such information, the Master Trustee shall provide such information to the MSRB. The Master Trustee shall be under no obligation to review the financial statements received under this Section for content and shall not be deemed to have knowledge of the content thereof. Furthermore, the Corporation will file with the MSRB on EMMA a notice or any direct borrowing of $25,000,000 or more with a bank. The Corporation has agreed to provide the information set forth in this section as a matter of convenience and such agreement shall not be construed as an undertaking pursuant to SEC Rule 15c2-12.

(b) To amend and restate subsection (d) of Section 6.13 of the Master Indenture as follows:

(d) If the Obligated Group shall fail to maintain the Required Ratios as required by paragraph (a) above, the Obligated Group shall nonetheless be considered to be in compliance with this Section 6.13 so long as the Obligated Group has satisfied the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the Master Trustee. If the Obligated Group shall fail (i) to provide the Governing Body Officer's Certificate required by paragraph (a) above or (ii) to satisfy the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the Master Trustee, the Master Trustee shall be entitled to notify the members of the Obligated Group's Governing Body and of each Member's Governing Body of such noncompliance, and to enforce the provisions of this Section 6.13 by specific performance. Except as set forth in the last sentence of this Section 6.13(d), in no event, however, shall failure to satisfy the provisions of this Section 6.13 constitute an Event of Default under this Master Indenture, it being understood that the sole remedies for noncompliance shall be the right of the Master Trustee to seek specific performance and/or to notify the members of the Governing Bodies of each Obligated Group Member as aforesaid. Notwithstanding the preceding sentence, a failure to maintain a Long-Term Debt Service Coverage Ratio of 1.00 shall be an Event of Default under 7.01(b). (*Section 6.10*)

Additional Covenants and Provisions Related to the Series 2020 Bonds

For so long as the scheduled payment of principal of and interest on the Series 2020 Bonds when due remains guaranteed under a Municipal Bond Insurance Policy (the "Insurance Policy") issued by Assured Guaranty Municipal Corp. (the "Bond Insurer"), and the Bond Insurer is not in default under the Insurance Policy, the Obligated Group agrees to comply with the following covenants and agreements. The covenants and agreements may be amended by the Corporation and the Insurer without the consent of or notice to the holders of the Series 2020 Bonds or any other party and may be waived by the Insurer in its discretion.

(a) The Obligated Group agrees to maintain at least 30 Days-Cash-On-Hand, tested annually on each December 31. In the event Days-Cash-On-Hand is less than 30 Days-Cash-On-Hand as of any testing date the Corporation shall retain a Consultant within 15 days to make recommendations as to increasing Days-Cash-On-Hand to achieve the 30 Days-Cash-On-Hand requirement. The Consultant shall be required to deliver its report to the Bond Insurer, the Corporation and the Master Trustee within 60 days of being retained and the Obligated Group shall comply with the recommendations of the Consultant to the extent permitted by law. Notwithstanding the retention of a Consultant, in the event the Obligated Group does not achieve 30 Days-Cash-On-Hand for any two consecutive testing dates, an event of default shall be deemed to have occurred under the Master Indenture.

(b) The Corporation agrees that it shall not permit any lien on the property subject to the mortgages ("Mortgages") securing the Series 2020 Obligation and other Outstanding Obligations that is senior to the lien of the Mortgage without the prior consent of the Bond Insurer.

(c) The Bond Insurer (A) shall be treated as a Credit Facility Issuer under the Master Indenture and (B) shall be entitled to approve the selection and scope of work of any Consultant selected by the Obligated Group pursuant to the terms of the Master Indenture.

(d) The Corporation will irrevocably deliver to the Bond Trustee, commencing on November 1, 2040 and on each November 1 thereafter, an amount equal to no less than $10,000,000 in each such year. All such amounts shall be held by the Bond Trustee in a segregated account as security for the Series 2020 Bonds and, shall not be used for any purpose other than to pay the Series 2020 Bonds at maturity unless the Bond Insurer shall otherwise consent. *(Section 6.11)*

DEFINITION OF CERTAIN TERMS

The following are definitions of certain terms used in the Master Indenture, the Supplemental Indenture and this Appendix:

"Act" means the Westchester County Health Care Corporation Act being Chapter 11 of the Consolidated Laws of the State of New York, 1997 (Title 1 of Article 10-C Public Authorities Law Section 3301 et seq.).

"Additional Indebtedness" means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of the Obligations authorized by the Corporation on October 4, 2000 in the aggregate principal amount of $294,450,000 (of which amount such resolution authorized $121,385,000 as Senior Bonds and $173,065,000 as Subordinate Bonds) to be issued under the 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 the Corporation, by any other Affiliate or by any Person which directly or indirectly controls the Corporation or which directly or indirectly controls any other Affiliate. 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.

"Annual Debt Service" means the Long-Term Debt Service Requirement for the applicable twelve-month period.

"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 Supplement authorizing an Applicable Series of Obligations, (ii) with respect to any Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Obligations by the Applicable Supplement or Series Certificate, (iii) with respect to any Supplement, the Supplement relating to a particular Series of Obligations, (iv) with respect to any Series of Obligations, the Series of Obligations issued under a Supplement for a Member, (v) with respect to any Member, the respective Member identified in the Applicable Supplement, (vi) with respect to an Obligation Series Certificate, such certificate authorized pursuant to an Applicable Supplement and (vii) with respect to any Credit Facility or Credit Facility Provider, the Credit Facility or Credit Facility Provider relating to a particular Series of Obligations.

"Arbitrage Rebate Fund" means each such fund so designated and established by the Applicable Supplement pursuant to the Master Indenture.

"Audited Financial Statements" means, as to any Member of the Obligated Group or as to 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 mean, 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.

"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 Corporation.

"Authorized Representative" means the Chairman, Vice Chairman, President and Chief Executive Officer, and Chief Financial Officer, Treasurer, or Deputy Treasurer of the Corporation or such other officer of the Corporation as may be designated by the Corporation, and with respect to each Member of the Obligated Group, any person or persons designated an Authorized Representative of such Member in an Officer's Certificate of such Member of the Obligated Group, signed by the Chairperson of its Governing Body 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.

"Bond Year" means the year which commences and ends on the same date as the Fiscal Year of each Member.

"Bond Trustee" means U.S. Bank National Association, a national banking association, and any successor to its duties under the Indenture.

"Book Entry Obligation" or "Book Entry Obligations" shall have the meaning given in the Master Indenture.

"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.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

"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.

"Children's Hospital" means the proposed Children's Hospital and Trauma Center to be constructed by the Corporation as a Health Care Facility.

"Code" means the Internal Revenue Code of 1986, as amended.

"Construction Fund" means each such fund so designated and established by the Applicable Supplement pursuant to the Master Indenture.

"Consultant" means a firm or firms 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 of national repute for having the skill and experience necessary to render the particular report required by the provision of the Master Indenture in which such requirement appears and which is not unacceptable to the Master Trustee.

"Corporate Trust Office" means the office of the Master Trustee at which its principal corporate trust business is conducted, which at the date hereof is located in New York, New York.

"County" means Westchester County, New York.

"County Lease" means that certain restated and amended lease agreement between the County and the Corporation dated as of December 30, 1998, as amended.

"Credit Facility" means a line of credit, letter of credit, guarantee, insurance policy or other credit enhancement facility including any municipal bond insurance policy issued and delivered to the Master Trustee, any of which insures payment of principal, interest and, if agreed to by the Credit Facility Issuer and the Corporation, redemption premium on the Obligation of any Series when due, all in accordance with the Applicable Supplement.

"Credit Facility Default" means with respect to a Credit Facility Issuer any of the following: (a) there shall occur a default in the payment of principal of or any interest on any Obligation by the Credit Facility Issuer when required to be made under the terms of the Credit Facility, (b) a Credit Facility shall have been declared null and void or unenforceable in a final determination by a court of law of competent jurisdiction, or (c) such Credit Facility Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of such Credit Facility Issuer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors.

"Credit Facility Issuer" means, with respect to any Series of Obligations for which a Credit Facility is held by the Master Trustee, the firm, association or corporation, including banking institutions, public bodies and governmental agencies, which has issued such Credit Facility in connection with such Series of Obligations, and the successor or assign of the obligations of such firm, association or corporation under such Credit Facility but shall not include the County.

"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.

"Current Assets of the Obligated Group" means current assets as shown on the most recent Audited Financial Statements of the Obligated Group.

"Current Liabilities of the Obligated Group" means current liabilities as shown on the most recent Audited Financial Statements of the Obligated Group.

"Current Ratio" means the ratio of Current Assets of the Obligated Group over Current Liabilities of the Obligated Group.

"Cushion Ratio" means the ratio for the applicable twelve-month period, of cash and marketable securities, including Member governing board designated funds and plant and equipment funds, with the exception of amounts held in any self-insured retention fund and funds restricted by the donor or funds limited as to their use in connection with debt instruments, to the Annual Debt Service for the then current Fiscal Year, less any amount held in a debt service fund available to pay debt service.

"Days-Cash-On-Hand" means, for each Member, as of any date (i) the Member's unencumbered and unrestricted cash and marketable securities (valued at current market value) on such date, together with any moneys or securities deposited or escrowed for the payment of debt service on Indebtedness minus the aggregate principal amount of Short Term Indebtedness Outstanding on such date, divided by (ii) (a) for the twelve-month period ending on such date, operating expenses, minus depreciation and amortization and other non-cash charges, plus principal payments on Long-Term Indebtedness, divided by (b) 365. The

principal payments on Long Term Indebtedness for such calculation shall include principal payments payable during such period by reason of maturity or sinking fund installment.

The calculation may, at the election of the Member, include as cash any advances made by a Member to the County to fund the County's share of Medicaid reimbursement (the "DSH Payment") and may also include as cash the anticipated DSH Payment expected to be received from the State even if such payment has not been received as of the date of calculation so long as the DSH Payment is actually received by March 31 of the following year. Any cash advance included in the calculation shall be deducted from the expected DSH Payment. Furthermore, the Member may include in the calculation as additional cash, any unencumbered and unrestricted cash and marketable securities held by WCHCC Bermuda or any successor corporation.

"Debt Service Fund" means the fund so designated, created and established pursuant to the Master Indenture.

"Debt Service Reserve Fund" means the fund so designated, created and established pursuant to the Master Indenture.

"Debt Service Reserve Fund Requirement" means, unless a lesser or greater amount is otherwise specified in the Applicable Supplement, 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 Obligations of a Series payable during such year, and (ii) the principal and the Sinking Fund Installments of such Obligations, except that if, upon the issuance of a Series of Obligations, 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 Obligations, the Debt Service Reserve Fund Requirement shall mean an amount equal to the sum of the Debt Service Reserve Fund Requirement immediately preceding issuance of such Series of Obligations and the maximum amount permitted under the Code to be deposited therein from the proceeds of such Series of Obligations, as certified by an Authorized Officer of the Corporation.

"Defeasance Security" means, unless otherwise provided in an Applicable Supplement, (a) a direct obligation of the United States of America, an obligation which the principal of and interest on which is 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 an 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 shall not mean any interest in a unit investment trust or mutual fund.

"Defeased Obligations" means Obligations issued under a Supplement that have 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.

"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 Supplement authorizing a Series of Obligations or a Obligation Series Certificate relating to a Series of Obligations to serve as securities depository for the Obligations of such Series.

"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 Indebtedness" means 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.

"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 Obligations 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 Obligations 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 the Master Indenture.

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

"Excluded Property" means any Property that is not Health Care Facilities of the Obligated Group.

"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 Master Trustee pursuant to the Applicable Supplements.

"Fiscal Year" means the fiscal year of each Member of the Obligated Group, 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 the Corporation of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice.

"Fitch" means Fitch, Inc., a Delaware limited partnership, 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 Corporation by notice to the Master Trustee.

"Governing Body" means, when used with respect to any Member of the Obligated Group and the Corporation, 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 Corporation are exercised.

"Government Obligation" means (i) a direct obligation of the United States of America, (ii) an obligation the timely payment of principal of, and interest on, which are fully and unconditionally guaranteed by the United States of America, (iii) 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, (iv) 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.; and (i) Federal National Mortgage Association, (v) 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 (vi) 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 placing restrictions and limitations on (i) the 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 revenues.

"Gross Receipts" shall mean all receipts, revenues, income and other moneys received by or on behalf of each Obligated Group Member from Health Care Facilities, 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 receivable, contract rights, general intangibles, chattel paper, instruments and the proceeds thereof, 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 paying debt service on an Obligation; and (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 receivable, contact rights, general intangibles, chattel

paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from the Excluded Property.

"Gross Receipts Fund" means the fund created and established pursuant to the Master Indenture.

"Guaranty" means an obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, an 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 under the Master Indenture. For the purposes of the 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 any 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 in the Master Indenture.

"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 of an Obligated Group Member as of the date hereof. See Attachment A to the Master Indenture the Master Indenture for a listing of existing 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 twelve (12) consecutive calendar months, its excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, 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 on 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, (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness and (iv) Derivative Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group.

"Indenture" means the Trust Indenture, dated as of September 1, 2020, by and between the Issuer and the Bond Trustee, related to the Series 2020 Bonds.

"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 Corporation and is not unacceptable to the Master Trustee; provided that, except with respect to the review of self-insurance programs or other 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.

"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 Obligations 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 Obligations of such Series.

"Interest Payment Date" means, with respect to an Applicable Series of Obligations and as set forth in the Applicable Supplement, the date on which interest is payable on such Obligation.

"Investment Agreement" means an agreement for the investment of moneys with a Qualified Financial Institution approved by any Applicable Credit Facility Issuer.

"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 (i) the Income Available for Debt Service by (ii) Annual Debt Service for the then current Fiscal Year.

"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 such Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated at least "A" by the Rating Service(s), 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 calculation of Long-Term Debt Service Requirement;

(iv) with respect to any guaranties, in accordance with the definition of "Guaranty" in the Master Indenture;

(v) with respect to Derivative Indebtedness, the interest on such Indebtedness during any Derivative Period and for so long as the provider 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 Derivative Indebtedness pursuant to its terms and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement and subtracting (z) the amount of interest payable by the provider of the Derivative Agreement at the rate specified in the Derivative Agreement; provided, however, that to the extent that the provider 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;

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement; and provided further, however, that principal and interest payments due and payable in connection with any Indebtedness shall be excluded from the determination of Long-Term Debt Service Requirement for the period during which monies representing the principal and interest payments on said Indebtedness have been provided for from the proceeds thereof.

"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 Obligations) 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" or "Master Indenture" means the Master Trust Indenture dated as of November 1, 2000, including any amendments or supplements thereto, between the Corporation and the Master Trustee.

"Master Trustee" means U.S. Bank National Association, and its successors in the trusts created under the Master Indenture.

"Maximum Annual Debt Service" means the highest Long-Term Debt Service Requirement for any succeeding Fiscal Year.

"Member of the Obligated Group" means initially the Corporation and thereafter shall include any other Person becoming a Member of the Obligated Group pursuant to the Master Indenture.

"Modification Agreement" means the agreement dated as of November 1, 2000 modifying the County Lease and the Transition Agreement.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and 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 Corporation by notice to the Master Trustee.

"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 (i) any other Property of any Member of the Obligated Group or (ii) any other assets of an Obligated Group Member.

"Obligated Group" means, collectively, the Members of the Obligated Group.

"Obligation" means the evidence of particular Indebtedness issued under the Master Indenture or a Supplement as a joint and several obligation of each Member of the Obligated Group and shall include Senior Obligations and Subordinate Obligations.

"Obligation Series Certificate" means a certificate of the Corporation fixing terms, conditions and other details of Obligations of an Applicable Series in accordance with the delegation of power to do so under an Applicable Supplement.

"Officer's Certificate" means a certificate signed by the Authorized Representative of such Member of the Obligated Group.

> Each Officer's Certificate presented pursuant to the 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, the 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 each 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.

"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 any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

"Outstanding" when used with reference to Indebtedness or Obligations, means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i)

Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, (iii) Defeased Obligations and (iv) 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; 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 the Master Indenture, Obligations that are owned by 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 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 which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding.

"Paying Agent" means, with respect to an Applicable Series of Obligations, the Master Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Master Indenture or of an Applicable Supplement or an Applicable Obligations Series Certificate.

"Permitted Liens" shall have the meaning given in the Master Indenture.

"Person" includes an individual, association, unincorporated organization, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"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.

"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 not objected to by the Master Trustee after due notice; or (v) a corporation whose obligations including any investments purchased from such corporation for the account of the Master Trustee are insured by the Applicable Credit Facility Issuer; provided, that in the case of any entity described in clause (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 Obligations 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.

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

"Record Date" means, unless the Applicable Supplement authorizing an Applicable Series of Obligations or a Obligations Series Certificate relating thereto provides otherwise with respect to Obligations of such Series, fifteen (15) days (whether or not a Business Day) prior to each interest payment date.

"Redemption Price" when used with respect to an Obligation of an Applicable Series, means the principal amount of such Obligation plus the applicable premium, if any, payable upon redemption thereof, pursuant to the Master Indenture or to the Applicable Supplement or Applicable Obligations Series Certificate.

"Refunding Obligations" means all Obligations whether issued in one or more Applicable Series of Obligations, authenticated and delivered pursuant to the Master Indenture, and originally issued pursuant to the Master Indenture, and any Obligations thereafter authenticated and delivered in lieu of or in substitution for such Obligations.

"Repository" shall mean any nationally recognized municipal securities information repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Required Ratios" shall mean a Long-Term Debt Service Coverage Ratio of at least 1.25 and a Cushion Ratio of at least 1.25.

"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 Master Trustee pursuant to the Applicable Supplement.

"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 Corporation by notice to the Master Trustee.

"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 under the Master Indenture, is rated without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "Aa" or better by the Rating Service(s) and (v) with the consent of the Applicable Credit Facility Issuer, 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 under the Master Indenture, is rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "Aa" or better by the Rating Service(s) or is rated with a comparable rating by any other nationally recognized rating service acceptable to the Corporation and the Applicable Credit Facility Issuer.

"Senior Obligation" means the Obligations so designated by the pertinent Supplement as having rights superior to Subordinate Obligations.

"Serial Obligation" means the Obligation so designated in an Applicable Supplement or an Applicable Obligations Series Certificate.

"Series" means all of the Obligations authenticated and delivered on original issuance and pursuant to the Master Indenture and an Applicable Supplement and designated therein as such, and any Obligations of such Series thereafter authenticated and delivered in lieu of or in substitution for such Obligations pursuant to the Master Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Series 2020 Obligation" means the Obligation issued pursuant to the Supplemental Indenture related to the Series 2020 Bonds.

"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, 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.

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

"State" means the State of New York.

"Subordinate Obligation" means Indebtedness the payment of which is evidenced by instruments, or issued under a Supplement or other document, containing specific provisions subordinating such Indebtedness to the Senior Obligations.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the 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) a public benefit corporation created under the Act, (ii) 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 (iii) 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.

"Term Obligations" means with respect to Obligations of a Series, the Obligations so designated in an Applicable Supplement or an Applicable Obligations Series Certificate and payable from Sinking Fund Installments.

"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.

"Transition Agreement" means that certain amended and restated agreement between the County and the Corporation dated as of December 30, 1998, as amended.

"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.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

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September 3, 2020

Westchester County Local Development Corporation
148 Martine Avenue
White Plains, New York 10601

Re: $300,000,000 Westchester County Local Development Corporation
Revenue Bonds, Series 2020 (Taxable) (Westchester Medical Center Obligated Group Project)

Ladies and Gentlemen:

We have acted as bond counsel to the Westchester County Local Development Corporation (the "*Issuer*") in connection with the issuance on the date hereof by the Issuer of its Revenue Bonds, Series 2020 (Taxable) (Westchester Medical Center Obligated Group Project) in the aggregate principal amount of $300,000,000 (the "*Series 2020 Bonds*").

The Series 2020 Bonds are authorized pursuant to (i) Section 1411 of the New York Not-for-Profit Corporation Law of the State of New York (the "*Act*") and (ii) a Bond Resolution duly adopted by the Issuer on August 20, 2020 (the "*Resolution*"). The Series 2020 Bonds are issued pursuant to the terms of a Trust Indenture dated as of September 1, 2020 (the "*Indenture*"), by and between the Issuer and U.S. Bank National Association, as trustee (the "*Trustee*"), and the proceeds of the Series 2020 Bonds will be loaned to Westchester County Health Care Corporation (the "*Corporation*") pursuant to a Loan Agreement dated as of September 1, 2020 (the "*Loan Agreement*"), between the Issuer and the Corporation. The Series 2020 Bonds are being sold pursuant to a Bond Purchase Agreement dated August 27, 2020 (the "*Bond Purchase Agreement*"), by and among the Issuer, the Corporation and Barclays Capital Inc. (the "*Underwriter*").

The proceeds of the Series 2020 Bonds, together with other available funds, will be used (i) for general corporate purposes; (ii) to refinance certain outstanding indebtedness; and (iii) to pay costs related to the issuance of the Series 2020 Bonds (collectively, the "*Project*"). Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Indenture.

The Series 2020 Bonds are secured by, among other things, certain funds and accounts held under the Indenture and a pledge of payments to be made under the Indenture and the Loan Agreement. As additional security, the Series 2020 Bonds are secured by payments to be made on an obligation dated as of September 3, 2020 (the "*Series 2020 Obligation*") by the Corporation (a "*Member*" and, together with any such other entities that may in the future agree to become obligated on the Series 2020 Obligation and any additional Obligations, collectively, the "*Obligated Group*"). The obligations of the Corporation under the Series 2020 Obligation, together with all other Obligations issued under the Master Indenture (as hereinafter defined), are secured by mortgages (collectively, the "*Mortgage*") on the Corporation's leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between the County of Westchester and the Corporation (the "*Lease Agreement*") and fee interest in MidHudson Regional Hospital in Poughkeepsie, New York, with all proceeds realized from the Mortgage to be applied proportionally and ratably to all Obligations issued under the Master Indenture. The Corporation is the sole Member of the Obligated Group. The Series 2020 Obligation is issued by the Obligated Group under a Master Trust Indenture, dated as of November 1, 2000 (the "*Master Trust Indenture*"), between the Obligated Group and U.S. Bank National Association, as successor master

trustee (the "*Master Trustee*"), as such Master Trust Indenture is supplemented from time to time (the Master Trust Indenture, together with all supplements thereto, is hereinafter referred to as the "*Master Indenture*"), between the Obligated Group and the Master Trustee. The Series 2020 Obligation is being delivered to the Issuer as evidence of the Member's obligation to repay the Series 2020 Bonds and is assigned by the Issuer to the Trustee as security for the payment of the Series 2020 Bonds. The Series 2020 Obligation is secured by, among other things, a security interest in Gross Receipts of the Obligated Group and the Mortgage.

The Series 2020 Bonds are dated September 3, 2020, shall mature on November 1, 2050, and bear interest, payable November 1, 2020 and semiannually thereafter on May 1 and November 1 in each year, at the respective rates per annum set forth in the Indenture. The Series 2020 Bonds are issuable in the form of fully registered bonds in the denomination of $5,000 or integral multiples thereof, and are numbered consecutively from one upward in order of issuance. The Series 2020 Bonds are subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms as are set forth in the Indenture.

As bond counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents (including all documents constituting the Transcript of Proceedings with respect to the issuance of the Series 2020 Bonds) as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, without having conducted any independent investigation, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents.

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, 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 Issuer. We have not undertaken to verify independently, and have assumed, 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 herein. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Loan Agreement. We call attention to the fact that the rights and obligations under the Series 2020 Bonds, the Indenture, the Loan Agreement and the Series 2020 Obligation 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 or waiver provisions contained in the foregoing documents.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreement and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

Based upon the foregoing and subject to the assumptions and qualifications set forth herein, we are of the opinion that:

1. The Issuer is a duly organized and existing corporate governmental agency constituting a local development corporation of the State of New York, with the right and lawful authority and power to adopt the Resolution and to issue the Series 2020 Bonds.

2. The Resolution has been duly adopted by the Issuer and is in full force and effect.

3. The Bond Purchase Agreement, the Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Issuer and are legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms.

4. The Series 2020 Bonds have been duly authorized, executed and delivered by the Issuer and are legal, valid and binding special obligations of the Issuer and are enforceable against the Issuer in accordance with their terms and the terms of the Indenture, and are entitled to the equal benefits of the Indenture and the Act.

5. The Issuer has the right and lawful authority and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by the Issuer, and constitutes a legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms.

6. Based upon an analysis of existing statutes, regulations, rulings and court decisions, interest on the Series 2020 Bonds is includable in gross income for federal income tax purposes.

7. Interest on the Series 2020 is includable in taxable income for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers).

We have examined a specimen of an executed Series 2020 Bond and, in our opinion, the form of said bond and its execution are regular and proper.

The opinions contained in paragraphs 3, 4 and 5 above are qualified to the extent that the enforceability of the Indenture, the Loan Agreement and the Series 2020 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy. Except as stated in paragraphs 6 and 7 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Series 2020 Bonds.

In connection with the delivery of this opinion letter, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Corporation. We have assumed the due authorization, execution and delivery of the Loan Agreement by the Corporation.

Our opinions set forth herein are based upon the facts in existence and the laws in effect on the date hereof and we disclaim any obligation to update our opinions herein, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

Very truly yours,

JN/CD

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS, SERIES 2020 (TAXABLE)
(WESTCHESTER MEDICAL CENTER OBLIGATED GROUP PROJECT)

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Agreement to Provide Continuing Disclosure (this "Agreement"), dated as of September 1, 2020, is executed and delivered by the Westchester County Health Care Corporation (the "Corporation" or "Obligated Group Representative"), on behalf of itself and as sole member of the Obligated Group (hereinafter defined) and U.S. Bank National Association, as successor Master Trustee and Dissemination Agent (the "Master Trustee" or the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Master Indenture (hereinafter defined). The capitalized terms used in this Agreement and not otherwise defined shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Obligated Group for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report, or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the MSRB under this Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Group and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means U.S. Bank National Association, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Group pursuant to Section 8 hereof.

"Disclosure Representative" means the Chief Financial Officer of the Corporation or his or her designee, or such other person as the Obligated Group shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Agreement.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GAAS" shall mean generally accepted accounting standards as in effect from time to time in the United States.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means the Annual Financial Information, the Audited Financial Statements (if any), the Notice Event notices and the Voluntary Reports.

"Issuer" means the Westchester County Local Development Corporation, as issuer of the Bonds.

"Master Indenture" means the Master Trust Indenture, dated as of November 1, 2000, as amended, between the Obligated Group and the Master Trustee, as further supplemented

through the Fifteenth Supplemental Indenture, dated as of September 1, 2020, between the Obligated Group and the Master Trustee.

"Master Trustee" means U.S. Bank National Association, New York, New York, as Master Trustee.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means any event listed in Section 4(a) of this Agreement.

"Obligated Group" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Offering Memorandum" means that Offering Memorandum prepared by the Issuer and the Obligated Group in connection with the Bonds, as listed on Exhibit A.

"Voluntary Report" means the information provided to the Disclosure Dissemination Agent by the Obligated Group pursuant to Section 6 hereof.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Group shall provide, annually, an electronic copy of the Annual Report, Audited Financial Statements and Certification to the Disclosure Dissemination Agent, not later than 165 days after the end of each fiscal year of the Obligated Group, commencing with the fiscal year ended December 31, 2020 (the "Annual Filing Date"). Within three business (3) days of receipt of an electronic copy of the Annual Report, Audited Financial Statements and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report and Audited Financial Statements to the MSRB. The Annual Report and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Agreement.

(b) If, on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report, Audited Financial Statements and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), to remind the Obligated Group of its undertaking to provide the Annual Report and Audited Financial Statements pursuant to Section 2(a) hereof. Upon such reminder, the Disclosure Representative shall, not less than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report, Audited Financial Statements and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, that the Obligated Group will not be able to file the Annual Report and Audited Financial Statements within the time required under this Agreement, state the date by which the Annual Report and Audited Financial Statements for such year will be provided, instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(16) will have occurred as

of the Annual Filing Date and that notice of such Notice Event should be sent on the Annual Filing Date to the MSRB in substantially the form attached hereto as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report, Audited Financial Statements and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report and Audited Financial Statements, a Notice Event described in Section 4(a)(16) shall have occurred and the Obligated Group shall direct the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached hereto as Exhibit B.

(d) If Audited Financial Statements of the Obligated Group are prepared but not available prior to the Annual Filing Date, the Obligated Group shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy of the Audited Financial Statements to the Disclosure Dissemination Agent, accompanied by a Certificate, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) upon receipt, within two (2) business days file each Annual Report received under Section 2(a) with the MSRB;

(ii) upon receipt, within two (2) business days file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iii) upon receipt, within two (2) business days file the text of each disclosure to be made with the MSRB together with a completed copy of the MSRB Material Event Notice Cover Sheet, describing the event by checking the box indicated below when filing pursuant to the Section of this Agreement indicated:

1. "Principal or interest payment delinquencies on the Bonds";

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. [Reserved];

7. "Modifications to the rights of the Bondholders," if material;

8. "Bond calls" if material, and "tender offers";

9. "Defeasances";

10. "Release, substitution, or sale of property securing repayment of the Bonds," if material;

11. "Ratings changes";

12. "Bankruptcy, insolvency, receivership or similar event of any Member of the Obligated Group" [1];

13. "The consummation of a merger, consolidation or acquisition of involving any Member of the Obligated Group or the sale of all or substantially all of the assets of any Member of the Obligated Group, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms," if material;

14. "Appointment of a successor or additional trustee, or the change of name of a trustee," if material;

15. "Incurrence of a Financial Obligation of any Member of the Obligated Group, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of a Member of the Obligated Group, any of which affect Bondholders", if material;

16. "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of a Member of the Obligated Group, any of which reflect financial difficulties"; or

17. "Failure to provide annual financial information as required," together with a completed copy of Exhibit B to this Agreement

(iv) provide the Obligated Group evidence of the filings of each of the above when made.

[1] Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for any Member of the Obligated Group in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of any Member of the Obligated Group, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of any Member of the Obligated Group.

(f) The Obligated Group may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 5:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Agreement and that is accompanied by a Certification and all other information required by the terms of this Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 5:00 p.m. Eastern time on the second succeeding business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) (1) Financial and operating data of the type included in the Offering Memorandum, which shall include information as described in Appendix A thereto relating to the following: (i) utilization statistics of the type set forth under the heading "UTILIZATION"; (ii)) revenue and expense data of the type set forth under the headings "FINANCIAL HISTORY OF THE CORPORATION – Outstanding Indebtedness," – Summary of Historical Financial Information– Summary Statement of Net Position," – Summary of Revenues, Expenses and Changes in Net Position," – Historical Debt Service Coverage," and – Payor Mix"; together with (2) such narrative explanation, as may be necessary to avoid misunderstanding, and to assist the reader in understanding the presentation of financial and operating data concerning the Obligated Group and in judging the financial and operating condition of the Obligated Group.

(b) Audited Financial Statements prepared in accordance with GAAP **OR** alternate accounting principles (if such alternate accounting principles are otherwise disclosed in the Offering Memorandum and audited by an independent accounting firm in accordance with GAAS) as described in the Offering Memorandum will be included in the Annual Report. Unaudited financial statements, prepared in accordance with GAAP **OR** alternate accounting principles as described in the Offering Memorandum will be included in the Annual Report if Audited Financial Statements are not available on the Annual Filing Date. If Audited Financial Statements are not available on the Annual Filing Date, the Obligated Group shall be in compliance under this agreement if unaudited financial statements are filed on the Annual Filing Date along with a certificate of the Obligated Group stating when the Audited Financial Statements are expected to become available and agreeing to file Audited Financial Statements as soon as they become available in accordance with Section 2(d) above.

Any or all of the items listed above may be included by specific reference from other documents, including Offering Memorandums of debt issues with respect to which the Obligated Group is an "obligated person" (as defined by the Rule), which have been previously filed with

the Securities and Exchange Commission or available on the MSRB internet website. The Obligated Group will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal or interest payment delinquencies on the Bonds;

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 its failure to perform;

6. [Reserved];

7. Modifications to the rights of the Bondholders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Bonds, if material

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of any Member of the Obligated Group[2];

13. The consummation of a merger, consolidation, or acquisition involving any Member of the Obligated Group or the sale of all or substantially all of the assets of any Member of the Obligated Group, other than in the ordinary course of business, the entry into a definitive agreement to

[2] Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for any Member of the Obligated Group in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of any Member of the Obligated Group, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of any Member of the Obligated Group.

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of any Member of the Obligated Group, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of a Member of the Obligated Group, any of which affect Bondholders, if material; or

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of a Member of the Obligated Group, any of which reflect financial difficulties.

The Obligated Group shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (b) below. Such notice shall be accompanied with the text of the disclosure that the Obligated Group desires to make, the written authorization of the Obligated Group for the Disclosure Dissemination Agent to disseminate such information, and the date the Obligated Group desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) If the Disclosure Dissemination Agent has been instructed by the Obligated Group as prescribed in subsection (a) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Financial Disclosures, the Obligated Party shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Obligated Group acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Obligated Group, and that the failure of the Disclosure Dissemination Agent to so advise the Obligated Group shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Agreement. The Obligated Group acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Agreement.

SECTION 7. Voluntary Reports.

(a) The Obligated Group may, instruct the Disclosure Dissemination Agent to file information with the MSRB from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Agreement shall be deemed to prevent the Obligated Group from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Agreement, or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Agreement. If the Obligated Group chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Agreement, the Obligated Group shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Obligated Group and the Disclosure Dissemination Agent under this Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Group is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Obligated Group has appointed U.S. Bank National Association as Disclosure Dissemination Agent under this Agreement. Upon termination of U.S. Bank National Association' services as Disclosure Dissemination Agent as provided in this Agreement, the Obligated Group agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, to assume all responsibilities of the Disclosure Dissemination Agent under this Agreement for the benefit of the Holders of the Bonds.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Obligated Group or the Disclosure Dissemination Agent to comply with any provision of this Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Agreement; and provided further that any challenge to the adequacy of the information provided in accordance with Section 3 hereof shall be brought only by the Master Trustee on behalf of the Holders of the Bonds; provided, however, that the Master Trustee shall not be required to take any enforcement action except at the written direction 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 Agreement shall not constitute a default on the Bonds or the Master Indenture or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein. In no event shall the Disclosure Dissemination Agent be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Disclosure Dissemination Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Agreement and in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Group has provided such information to the Disclosure Dissemination Agent as required by this Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Obligated Group and shall not be deemed to be acting in any fiduciary capacity for the Obligated Group, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Group's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Obligated Group has complied with this Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Group at all times.

TO THE EXTENT PERMITTED BY LAW, THE OBLIGATED GROUP AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH IT MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF ITS POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Group under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and it shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Group.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Section shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB. Unless otherwise prescribed by the MSRB, all such submissions shall be made via the MSRB's Electronic Municipal Market Access ("EMMA") system.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Obligated Group and the Disclosure Dissemination Agent may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Group and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Group or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their written consent thereto.

Notwithstanding the preceding paragraph, the Obligated Group and the Disclosure Dissemination Agent shall have the right to adopt amendments to this Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Group or the Master Trustee and the assumption by any such successor of the covenants of the Obligated Group or the Master Trustee hereunder;

(iv) to add to the covenants of the Obligated Group or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Group or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 13. Beneficiaries. This Agreement shall inure solely to the benefit of the Obligated Group, the Master Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Agreement shall be governed by the laws of the State of New York.

SECTION 15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page left intentionally blank]

The Disclosure Dissemination Agent and the Obligated Group have caused this Agreement to be executed, on the date first written above, by their respective officers duly authorized.

WESTCHESTER COUNTY HEALTH CARE CORPORATION,
on behalf of itself and as Obligated Group Representative

By: _____
Name: Gary Brudnicki
Title: Senior Executive Vice President and Chief Financial Officer/Chief Operating Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name: Deborah Todak
Title: Vice President

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	Westchester County Local Development Corporation
Obligated Group	Westchester County Health Care Corporation
Name of Bond Issue:	Westchester County Local Development Corporation Revenue Bonds, Series 2020 (Taxable) (Westchester Medical Center Obligated Group Project)
Date of Issuance:	September 3, 2020
Date of Offering Memorandum	August 27, 2020

$300,000,000
WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS, SERIES 2020 (TAXABLE)
(WESTCHESTER MEDICAL CENTER OBLIGATED GROUP PROJECT)

Due (November 1)	Principal Amount	Interest Rate	CUSIP
2050	$300,000,000	3.846%	95737TEK8

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer	Westchester County Local Development Corporation
Obligated Group	Westchester County Health Care Corporation
Name of Bond Issue:	Westchester County Local Development Corporation Revenue Bonds, Series 2020 (Taxable) (Westchester Medical Center Obligated Group Project)
Date of Issuance:	September 3, 2020
Date of Offering Memorandum	August 27, 2020

NOTICE IS HEREBY GIVEN that the Obligated Group has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated September 1, 2020, between the Obligated Group and U.S. Bank National Association, as Master Trustee and Disclosure Dissemination Agent. The Obligated Group has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated:_____

U.S. Bank National Association, as Disclosure Dissemination Agent, on behalf of the Obligated Group

_____

cc: Obligated Group Representative

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

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