NEW ISSUE – BOOK ENTRY ONLY

Moody's: "Baa3"
S&P: "BBB"
Moody's: "A2" (AGM Insured Bonds)
S&P: "AA" (AGM Insured Bonds)
Kroll: "AA+" (AGM Insured Bonds)
(See "RATINGS" herein)

DASNY

DAC Bond

Montefiore

$356,510,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MONTEFIORE OBLIGATED GROUP REVENUE BONDS
SERIES 2020A

Dated: Date of Delivery **Due: September 1, as shown below**

Payment and Security: The Montefiore Obligated Group Revenue Bonds, Series 2020A (the "*Series 2020A Bonds*"), are special limited obligations of the Dormitory Authority of the State of New York ("*DASNY*") payable from and secured by a pledge of (i) the payments to be made under the Loan Agreement dated as of January 8, 2020 (the "*Loan Agreement*"), between DASNY and Montefiore Medical Center ("*MMC*" or the "*Medical Center*"), (ii) the funds and accounts (except the Arbitrage Rebate Fund) created under DASNY's Montefiore Obligated Group Revenue Bond Resolution, adopted by DASNY on June 20, 2018 (the "*Resolution*"), and under a Series Resolution authorizing the issuance of the Series 2020A Bonds adopted on January 8, 2020 (the "*Series 2020A Resolution*"); and (iii) Obligation No. 5 (the "*Obligation No. 5*"), issued by MMC pursuant to a Master Trust Indenture, dated as of August 1, 2018, as supplemented and amended (the "*Master Indenture*"), by and among MMC, Montefiore Health System, Inc., solely in its capacity as Credit Group Representative, and The Bank of New York Mellon, as master trustee. Obligation No. 5 is secured by a pledge of Gross Receivables (as described herein) and a Mortgage (as described herein).

MMC is currently the only Member of the Obligated Group established under the Master Indenture.

MMC's obligations under the Loan Agreement and Obligation No. 5 are general obligations of MMC. The Loan Agreement requires MMC to pay, in addition to the fees and expenses of DASNY and The Bank of New York Mellon, as bond trustee (the "*Bond Trustee*"), amounts sufficient to pay the principal, Sinking Fund Installments, or Redemption Price, if any, of and interest on the Series 2020A Bonds, as such payments shall become due, and to make payments due under Obligation No. 5.

The Series 2020A Bonds will not be a debt of the State of New York (the "*State*") nor will the State be liable thereon. DASNY has no taxing power.

Bond Insurance: The scheduled payment of principal of and interest on the Series 2020A Bonds maturing on September 1, 2050 and bearing interest at a rate of 3.00% (the "*Insured Bonds*") when due will be guaranteed under an insurance policy (the "*Policy*") to be issued concurrently with the delivery of the Series 2020A Bonds by Assured Guaranty Municipal Corp. ("*AGM*" or the "*Insurer*" or the "*Bond Insurer*").

ASSURED GUARANTY MUNICIPAL

Description: The Series 2020A Bonds will be issued as fully registered bonds in denominations of $5,000 and any integral multiples thereof. Interest on the Series 2020A Bonds will be payable semiannually on each March 1 and September 1, commencing September 1, 2020, and will be payable at the principal corporate trust office of the Bond Trustee, by check or draft mailed to the registered owner thereof. See "**PART 3 – THE SERIES 2020A BONDS**" herein.

The Series 2020A Bonds will be initially issued under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("*DTC*"). Individual purchases of beneficial interests in the Series 2020A Bonds will be made in Book-Entry form without certificates. So long as DTC or its nominee is the registered owner of the Series 2020A Bonds, payments of the principal and Redemption Price of and interest on such Series 2020A Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "**PART 3 – THE SERIES 2020A BONDS - Book-Entry Only System**" herein.

Tender for Purchase and Redemption: The Series 2020A Bonds are subject to redemption, tender and purchase in lieu of redemption prior to maturity as more fully described herein.

Tax Matters: In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2020A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"), and (ii) interest on the Series 2020A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Hawkins Delafield & Wood LLP, under existing statutes, interest on the Series 2020A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "**PART 11 – TAX MATTERS**" herein regarding certain other considerations.

This Official Statement summarizes certain terms of the Series 2020A Bonds only while the Series 2020A Bonds bear interest in a Fixed Rate Mode. The Series 2020A Bonds may only be converted to another interest rate mode after the Series 2020A Bonds are subject to optional redemption as described herein. Except as set forth herein, this Official Statement does not describe (i) any other interest rate mode into which the Series 2020A Bonds may be converted, (ii) any provision relating to the tender provisions applicable to the Series 2020A Bonds after any such conversion, or (iii) the remarketing of the Series 2020A Bonds upon any such conversion and the application of the proceeds thereof. A remarketing of the Series 2020A Bonds upon any such conversion will be made solely by a separate offering document or through a private placement to a limited number of institutional investors and not by this Official Statement.

MATURITY SCHEDULE – See Inside Cover Page

The Series 2020A Bonds are offered when, as, and if received by the Underwriters. The offer of the Series 2020A Bonds is subject to the satisfaction of certain conditions and may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, and Brown Hutchinson LLP, Rochester, New York, as Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for MMC by its special counsel, Dennett Law Offices, P.C., Great Neck, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York. DASNY expects the Series 2020A Bonds to be delivered in definitive form in New York, New York on or about February 20, 2020.

BofA Securities **Citigroup**

February 5, 2020

$356,510,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MONTEFIORE OBLIGATED GROUP REVENUE BONDS
SERIES 2020A

Maturity September 1,	Amount	Interest Rate	Yield	CUSIP Numbers[1]	Maturity September 1,	Amount	Interest Rate	Yield	CUSIP Numbers[1]
2027	$9,955,000	5.00%	1.45%	64990GZA3	2034	$4,385,000	5.00%	2.08%[C]	64990GZH8
2028	9,710,000	5.00	1.58	64990GZB1	2035	4,495,000	5.00	2.13[C]	64990GZJ4
2029	8,940,000	5.00	1.70	64990GZC9	2036	4,760,000	4.00	2.45[C]	64990GZK1
2030	6,440,000	5.00	1.85[C]	64990GZD7	2037	4,000,000	4.00	2.47[C]	64990GZL9
2031	5,385,000	5.00	1.96[C]	64990GZE5	2038	6,190,000	4.00	2.51[C]	64990GZM7
2032	5,640,000	5.00	2.00[C]	64990GZF2	2039	6,445,000	4.00	2.54[C]	64990GZN5
2033	4,750,000	5.00	2.04[C]	64990GZG0	2040	6,720,000	4.00	2.57[C]	64990GZP0

$38,165,000 4.00% Term Bond Due September 1, 2045, Yield 2.66%[C], CUSIP[1]: 64990GZQ8
$130,530,000 4.00% Term Bond Due September 1, 2050, Yield 2.76%[C], CUSIP[1]: 64990GZR6
$100,000,000 3.00% Term Bond Due September 1, 2050[†], Yield 2.66%[C], CUSIP[1]: 64990GZS4

[C] Priced at stated yield to the March 1, 2030 optional redemption date at the redemption price of 100%.
[†] Insured by Assured Guaranty Municipal Corp.
[1] CUSIP is a registered trademark of the American Bankers Association ("ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. CUSIP numbers have been assigned by an independent company not affiliated with MMC and are included solely for the convenience of the holders of the Bonds. MMC is not responsible for the selection or uses of these CUSIP numbers.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by DASNY, MMC or the Underwriters to give any information or to make any representations with respect to the Series 2020A Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by DASNY, MMC or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be an offer, reoffer or sale of the Series 2020A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, reoffer, solicitation or sale.

Certain information in this Official Statement has been supplied by MMC and other sources that DASNY believes are reliable. DASNY does not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of DASNY. DASNY does not directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of MMC or the Obligated Group, (2) the sufficiency of the security for the Series 2020A Bonds or (3) the value or investment quality of the Series 2020A Bonds.

*MMC has reviewed the sections of this Official Statement describing the Obligated Group and MMC under the headings "**PART 1 – INTRODUCTION**," "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS**," "**PART 3 – THE SERIES 2020A BONDS**," "**PART 4 – PLAN OF FINANCE**," "**PART 5 – PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS**, "**PART 6 – ESTIMATED SOURCES AND USES OF FUNDS**," "**PART 7 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY**," "**PART 11 – TAX MATTERS**" (with respect to underlying factual matters set forth therein), "**PART 18 – FINANCIAL STATEMENTS**," "**PART 19 – CONTINUING DISCLOSURE**," "**Montefiore Obligated Group**" in "**APPENDIX A**" hereto, "**Montefiore Medical Center Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-1**" hereto, "**Unaudited Consolidated Financial Statements of Montefiore Medical Center as of and for the nine months ended September 30, 2019 and 2018**" in "**APPENDIX B-2**" hereto and "**Montefiore Health System, Inc. Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-3**" hereto. MMC shall certify as of the dates of offering and delivery of the Series 2020A Bonds that such parts of this Official Statement relating to MMC do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. MMC makes no representation as to the accuracy or completeness of any other information included in this Official Statement.*

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

References in this Official Statement to the Act (as defined herein), the Resolution, the Series 2020A Resolution, the Loan Agreement, the Master Indenture, the Supplemental Indenture and Obligation No. 5 do not purport to be complete. Refer to the Act, the Resolution, the Series 2020A Resolution, the Loan Agreement, the Master Indenture, the Supplemental Indenture and Obligation No. 5 for full and complete details of their provisions. Copies of the Act, the Resolution, the Series 2020A Resolution, the Loan Agreement, the Master Indenture, the Supplemental Indenture and Obligation No. 5 are on file with DASNY and the Bond Trustee.

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

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

The CUSIP numbers are included on the inside front cover page of this Official Statement for the convenience of the holders and potential holders of the Series 2020A Bonds. No assurance can be given that the CUSIP numbers for the Series 2020A Bonds will remain the same after the date of issuance and delivery of the Series 2020A Bonds.

The Series 2020A Bonds have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state, nor have the Resolution, the Series 2020A Resolution or the Master Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Series 2020A Bonds have not been registered or qualified under the securities laws of any state in reliance upon the state securities law preemption provisions under the Securities Act of 1933, as amended. In certain states, however, the filing of a notice with the state securities commission is required for the public sale of the Series 2020A Bonds in such states. The fact that a notice may have been filed in certain states cannot be regarded as a recommendation. No states nor any of their respective agencies have passed upon the merits of the Series 2020A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

In making an investment decision, investors must rely upon their own examination of the terms of the offering, including the merits and risks involved.

References to website addresses herein are for information purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

*Certain statements included or incorporated by reference in this Official Statement 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. These forward looking statements are based on the current plans and expectations of MMC and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the control of MMC that could significantly affect current plans and expectations and MMC'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 reimbursements 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 MMC, (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 MMC 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) MMC's continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures relating to its status as a tax-exempt organization as well as its 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 MMC's cost reports, (xx) MMC's ability to comply with recently enacted legislation and/or regulations, and (xxi) the risks set forth under the heading "**PART 7 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY**" herein. 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 MMC. Investors are cautioned not to unduly rely on such forward looking statements when evaluating the information presented in this Official Statement. In addition to those factors described specifically in connection with the forward-looking statements, see "**PART 7 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY**" herein and "**Montefiore Obligated Group**" in "**APPENDIX A"** hereto.*

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. MMC 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.

*Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the 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 Official Statement 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 "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Bond Insurance**" herein and "**Specimen of Municipal Bond Insurance Policy**" in "**APPENDIX I**" attached hereto.*

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DORMITORY AUTHORITY – STATE OF NEW YORK
REUBEN R. McDANIEL, III – ACTING PRESIDENT

515 BROADWAY, ALBANY, N.Y. 12207
ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO

$356,510,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MONTEFIORE OBLIGATED GROUP REVENUE BONDS
SERIES 2020A

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page, the table of contents and appendices, is to provide certain information about the Dormitory Authority of the State of New York ("*DASNY*") and Montefiore Medical Center ("*MMC*" or the "*Medical Center*") in connection with the offering by DASNY of $356,510,000 aggregate principal amount of its Montefiore Obligated Group Revenue Bonds, Series 2020A (the "*Series 2020A Bonds*").

The following is a brief description of certain information concerning the Series 2020A Bonds, DASNY and MMC. A more complete description of such information and additional information that may affect decisions to invest in the Series 2020A Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in the Master Indenture (as defined herein), which is attached as "**Form of Master Indenture**" in "**APPENDIX F**" hereto, and in "**Certain Definitions**" in "**APPENDIX C**" hereto.

DASNY

DASNY is a public benefit corporation of the State of New York (the "*State*"), created for the purpose of financing and constructing a variety of public-purpose facilities for certain governmental, educational and not-for-profit institutions. See "**PART 8 – DASNY**" herein.

Montefiore Medical Center

MMC is a voluntary, acute care teaching hospital with three inpatient facilities located in the Bronx, New York, with a total of 1,558 certified beds. MMC provides comprehensive primary, secondary, tertiary and quaternary healthcare services primarily to the residents of the Bronx. A New York not-for-profit corporation, MMC is exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code of 1986, as amended (the "*Code*") as an organization described in section 501(c)(3) of the Code.

MMC is currently the sole Member of the Obligated Group under the Master Indenture (as defined herein). Montefiore Health System, Inc. is a party to the Master Indenture solely in the capacity of Credit Group Representative. See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Obligations under the Master Indenture**" herein. Subject to the conditions thereto set forth in the Master Indenture, in the future, additional entities may become Members of the Obligated Group. See "**Form of Master Indenture – Membership in Obligated Group**" in "**APPENDIX F**" hereto.

For certain financial and operational information of MMC, see "**Montefiore Obligated Group**" in "**APPENDIX A**" hereto, "**Montefiore Medical Center Audited Consolidated Financial Statements as of and for**

the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors" in "**APPENDIX B-1**" hereto, "**Unaudited Consolidated Financial Statements of Montefiore Medical Center as of and for the nine months ended September 30, 2019 and 2018**" in **"APPENDIX B-2**" hereto, and "**Montefiore Health System, Inc. Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-3**" hereto, each of which should be read in their entirety.

Purpose of the Issue

The Series 2020A Bonds are being issued for the purpose of (i) financing the HOB Project (as defined in "**PART 4 – PLAN OF FINANCE**" herein) and certain other projects, (ii) refunding the Refunded Bonds (as defined in "**PART 4 – PLAN OF FINANCE**" herein), (iii) repaying the current outstanding balance of the corporate line of credit provided by Bank of America, N.A. (an affiliate of one of the Underwriters of the Series 2020A Bonds), and (iii) paying the costs of issuance of the Series 2020A Bonds and the refunding of the Refunded Bonds. See "**PART 4 – PLAN OF FINANCE,**" "**PART 6 – ESTIMATED SOURCES AND USES OF FUNDS**," and "**PART 16 – UNDERWRITING**" herein.

Simultaneously with the issuance of the Series 2020A Bonds, MMC expects to issue $350,000,000 aggregate principal amount of its Montefiore Obligated Group Taxable Bonds, Series 2020B (the "*Series 2020B Taxable Bonds*" and together with the Series 2020A Bonds, the "*Series 2020 Bonds*"). The Series 2020B Taxable Bonds will be secured by Obligation No. 6 ("*Obligation No. 6*") issued under the Master Indenture on a parity with Obligation No. 5 (as defined herein) and any other Obligations (as defined herein) issued under the Master Indenture. See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Obligations under the Master Indenture – Security for Obligations Issued Under the Master Indenture**" and "**– Additional Obligations**" herein.

Authorization of Issuance

The Series 2020A Bonds will be issued pursuant to DASNY's Montefiore Obligated Group Revenue Bond Resolution adopted by DASNY on June 20, 2018, (the "*Resolution*") and the Series Resolution authorizing the issuance of the Series 2020A Bonds adopted on January 8, 2020 (the "*Series 2020A Resolution*") and the Act.

Additional Bonds may in the future be issued pursuant to the Resolution and each such Series of Bonds shall be separately secured by (i) the funds and accounts established pursuant to the applicable Series Resolutions, (ii) payments under the applicable Loan Agreement, and (iii) the applicable Obligation (as defined herein) to be issued by the Obligated Group pursuant to the Master Indenture. The Series 2020A Bonds and all additional Series of Bonds hereafter issued pursuant to the Resolution are referred to herein as the "*Bonds*." See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS**." For a description of long-term debt of MMC, see "**Montefiore Medical Center Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017**," in "**APPENDIX B-1**" hereto and "**Unaudited Consolidated Financial Statements of Montefiore Medical Center as of and for the nine months ended September 30, 2019 and 2018**" in "**APPENDIX B-2**" hereto.

Payment of the principal of and interest on the Series 2020A Bonds are secured pursuant to Obligation No. 5 ("*Obligation No. 5*") issued under the Master Trust Indenture dated as of August 1, 2018, as supplemented and amended (the "*Master Indenture*"), among MMC, Montefiore Health System, Inc. ("*MHS*"), solely in its capacity as Credit Group Representative and not as an obligor on the Series 2020A Bonds or Obligation No. 5, and The Bank of New York Mellon, as master trustee (the "*Master Trustee*"). See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Security for the Series 2020A Bonds – Obligation No. 5**" herein.

The proceeds of the Series 2020A Bonds will be loaned by DASNY to MMC pursuant to the Loan Agreement dated as of January 8, 2020 (the "*Loan Agreement*"), between DASNY and MMC. The repayment obligations of MMC under the Loan Agreement are secured by Obligation No. 5 issued under the Master Indenture.

The Series 2020A Bonds

The Series 2020A Bonds will be dated their date of issuance, and will accrue interest from their date at the rates, and will mature at the times, as set forth on the cover page hereof. Interest on the Series 2020A Bonds will be payable semiannually on each March 1 and September 1, commencing September 1, 2020. See "**PART 3 – THE SERIES 2020A BONDS – Description of the Series 2020A Bonds**" herein.

Payment of the Series 2020A Bonds

Each Series of Bonds hereafter issued under the Resolution, including the Series 2020A Bonds are and will be special limited obligations of DASNY payable solely from the Revenues applicable to such Series. The Revenues applicable to the Series 2020A Bonds include certain payments to be made by MMC under the Loan Agreement or to be made by MMC, as currently the only Member of the Obligated Group, on Obligation No. 5, which payments are pledged and assigned to the Bond Trustee. MMC's payment obligations under the Loan Agreement with respect to the Series 2020A Bonds are general obligations of MMC secured by Obligation No. 5 issued under the Master Indenture. Obligation No. 5 is secured by a security interest in the Gross Receivables (as defined herein) of MMC and a Mortgage (as defined herein) on a parity with all other Obligations issued and Outstanding under the Master Indenture, including Obligation No. 6 (the "*Parity Obligations*"). See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Payment of the Series 2020A Bonds,"** and **"– Obligations under the Master Indenture**" herein.

Security for the Series 2020A Bonds

Master Indenture

Pursuant to the Master Indenture, MMC formed an Obligated Group (as defined in the Master Indenture). MMC is currently the sole Member of the Obligated Group under the Master Indenture.

To evidence and secure the obligation of MMC with respect to the Series 2020A Bonds, MMC will issue Obligation No. 5, to be dated the date of the issuance of the Series 2020A Bonds, under and pursuant to the Master Indenture, and Supplemental Indenture for Obligation No. 5, to be dated as of February 1, 2020 (the "*Supplemental Indenture*"), between MMC and the Master Trustee. Obligations issued under the Master Indenture are secured, subject only to Permitted Liens (as such term is defined in the Master Indenture), by a pledge of Gross Receivables (as hereinafter defined) of MMC and a mortgage lien on and security interest in certain health care facilities of MMC at its "*Moses Division*" as identified in "**Montefiore Obligated Group – Existing Facilities and Mortgaged Property**" in "**APPENDIX A**" hereto (the "*Mortgaged Property*"). See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Obligations under the Master Indenture – Security for Obligations Issued Under the Master Indenture**," "**– Security Interests in Gross Receivables for Obligations Issued Under the Master Indenture**" and "**– Mortgage Granted for Obligations Issued Under the Master Indenture**" herein.

In August 2018, in connection with the issuance of the Dormitory Authority of the State of New York Montefiore Obligated Group Revenue Bonds, Series 2018A and Series 2018B and the Montefiore Obligated Group Taxable Bonds, Series 2018C (collectively, the "*Series 2018 Bonds*"), MMC issued Obligations No. 1, No. 2 and No. 3 under the Master Indenture (collectively, the "*2018 Obligations*"). At that time, MMC delivered to the Master Trustee two mortgages (the "*2018 Mortgages*") to secure the 2018 Obligations in accordance with the requirements of the Master Indenture. In June 2019, in connection with the issuance of Obligation No. 4, MMC delivered to the Master Trustee a parity mortgage (the "*2019 Mortgage*") to secure Obligation No. 4 in accordance with the requirements of the Master Indenture. In connection with the issuance of the Series 2020A Bonds and the Series 2020B Taxable Bonds, MMC will deliver to the Master Trustee a parity mortgage (the "*2020 Mortgage*" and together with the 2018 Mortgages and the 2019 Mortgages, the "*Mortgages*") to secure Obligation No. 5 and Obligation No. 6. The 2020 Mortgage will be on parity with the 2018 Mortgages and the 2019 Mortgage.

In 2018, MMC delivered to the Master Trustee a title insurance policy in the face amount of $10,000,000 with respect to one of the 2018 Mortgages. The principal amount of all Outstanding Obligations, in the aggregate, is greater than the face amount of title insurance policy, and the title policy will remain in place only so long as the insured mortgage remains in place. Once the Series 2018 Bonds are paid in full, either at the last maturity date for

such bonds or their earlier redemption, the insured mortgage will be satisfied and no long in effect. ***See "PART 7 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY – Matters Related to Mortgaged Property and Title Insurance."***

Currently, MMC is the only Member of the Obligated Group under the Master Indenture. However, the Master Indenture permits other entities, upon compliance with certain conditions, to become Members of the Obligated Group and to issue Obligations thereunder. Pursuant to the provisions of the Master Indenture, each Member of the Obligated Group is jointly and severally obligated (subject to the right of such Member to withdraw from the Obligated Group upon satisfying the applicable provisions of the Master Indenture) to make any and all payments promptly on all Obligations thereafter, and in certain cases, previously issued under the Master Indenture, including Obligation No. 5, according to the terms thereof. See "**Form of Master Indenture – Payments with respect to Master Indenture Obligations; Designated Affiliates; Credit Group Covenants – Membership in Obligated Group**" in "**APPENDIX F**" hereto.

Resolution

The Series 2020A Bonds will be secured by the pledge and assignment made by DASNY pursuant to the Resolution to the Bond Trustee of the Revenues applicable to the Series 2020A Bonds and all funds and accounts authorized by the Resolution and established under the Series 2020A Resolution (with the exception of the Arbitrage Rebate Fund). No debt service reserve fund will be funded for the Series 2020A Bonds. See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Security for the Series 2020A Bonds**" herein.

The Resolution authorizes the issuance by DASNY, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and to be separately secured from each other Series of Bonds issued pursuant to the Resolution for the benefit of MMC and any other future Members of the Obligated Group. The holders of Bonds of a Series shall not be entitled to the rights and benefits conferred upon the holders of Bonds of any other Series. Each Series of Additional Bonds shall be secured by a separate Obligation issued under the Master Indenture. For a more complete discussion of the security for the Series 2020A Bonds, see "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Security for the Series 2020A Bonds**" herein.

The Series 2020A Bonds are not a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

Certain Information Related to this Official Statement

The descriptions herein of the Resolution, the Loan Agreement and other documents relating to the Series 2020A Bonds do not purport to be complete and are qualified in their entirety by reference to such documents, and the description herein of the Series 2020A Bonds is qualified in its entirety by the form thereof and the information with respect thereto included in such documents. See "**Summary of Certain Provisions of the Loan Agreement**" in "**APPENDIX D**" hereto, "**Summary of Certain Provisions of the Resolution**" in "**APPENDIX E**" hereto, and "**Form of Master Indenture**" in "**APPENDIX F**" hereto for the final form of Master Indenture.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as set forth in "**Certain Definitions**" in "**APPENDIX C**" hereto and in "**Form of Master Indenture**" in "**APPENDIX F**" hereto.

Information concerning MMC and its affiliates is included in "**Montefiore Obligated Group**" in "**APPENDIX A**" hereto. For supplementary information concerning the financial operations of MMC and its subsidiaries, see "**Montefiore Medical Center Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-1**" hereto and "**Unaudited Consolidated Financial Statements of Montefiore Medical Center as of and for the nine months ended September 30, 2019 and 2018**" in **"APPENDIX B-2**" hereto. No affiliate of MMC will be obligated to make any payments under or with respect to Obligation No. 5 or the Series 2020A Bonds, unless such affiliate becomes and remains a Member of the Obligated Group.

Certain risk factors that should be considered by prospective investors in the Series 2020A Bonds are set forth below under "**PART 7 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY**" herein.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement will, under any circumstances, create any implication that there has been no change in the affairs of MMC.

Bond Insurance

The scheduled payment of principal of and interest on the Series 2020A Bonds maturing on September 1, 2050 and bearing interest at a rate of 3.00% (the "*Insured Bonds*") when due will be guaranteed under an insurance policy (the "*Policy*") to be issued concurrently with the delivery of the Series 2020A Bonds by Assured Guaranty Municipal Corp. ("*AGM*" or the "*Insurer*" or the "*Bond Insurer*"), see "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Bond Insurance**" herein.

PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS

*Set forth below is a narrative description of certain contractual provisions relating to the sources of payment of and security for the Series 2020A Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2020A Resolution, the Loan Agreement, the Master Indenture, the Supplemental Indenture, Obligation No. 5 and the Mortgage. Copies of the Act, the Resolution, the Series 2020A Resolution, the Loan Agreement, the Master Indenture, the Supplemental Indenture, Obligation No. 5 and the Mortgage are on file with DASNY and the Bond Trustee. See also "**Summary of Certain Provisions of the Loan Agreement**," in "**APPENDIX D**" hereto, "**Summary of Certain Provisions of the Resolution**" in "**APPENDIX E**" hereto and "**Form of Master Indenture**" in "**APPENDIX F**" hereto for a more complete statement of the rights, duties and obligations of the parties thereto.*

Payment of the Series 2020A Bonds

The Series 2020A Bonds issued under the Resolution are special limited obligations of DASNY. The principal, Sinking Fund Installments, purchase price in lieu of redemption and Redemption Price, if any, of and interest on the Series 2020A Bonds are payable solely from the Revenues applicable to the Series 2020A Bonds and all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Series 2020A Resolution. The Revenues consist of the payments required to be made by MMC under the Loan Agreement or to be made by the Obligated Group under Obligation No. 5 on account of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2020A Bonds. The Revenues have been assigned by DASNY to the Bond Trustee for the benefit of the holders of the Series 2020A Bonds.

MMC's obligations under the Loan Agreement and under Obligation No. 5 are general obligations of MMC. DASNY has directed MMC, and MMC has agreed, to make the payments under the Loan Agreement directly to the Bond Trustee. Any payments made on Obligation No. 5 shall also be made directly to the Bond Trustee. The Loan Agreement obligates MMC to make payments sufficient to pay, among other things, the principal and Sinking Fund Installments of and interest on the Series 2020A Bonds five business days prior to the date they become due, and to make any payments due under Obligation No. 5. Each payment is to be equal to the interest coming due on the next succeeding interest payment date and the principal and Sinking Fund Installments coming due on or prior to the next succeeding principal or sinking fund payment date. See "**PART 3 – THE SERIES 2020A BONDS – Redemption and Tender for Purchase Provisions**" herein.

The scheduled payments of principal of and interest on the Insured Bonds when due will be guaranteed by the Policy issued concurrently with the issuance and delivery of the Insured Bonds. See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Bond Insurance**" herein.

Security for the Series 2020A Bonds

General

The Series 2020A Bonds will be secured by the payments described above to be made under the Loan Agreement, all funds and accounts authorized under the Resolution and established by the Series 2020A Series Resolution (with the exception of the Arbitrage Rebate Fund), and payments to be made by the Obligated Group under Obligation No. 5,which is secured by the Obligated Group's pledge of Gross Receivables and the Mortgages, all as described herein. Pursuant to the terms of the Resolution, the funds and accounts established and pledged by Series 2020A Resolution secure only the Series 2020A Bonds, and do not secure any other Series of Bonds issued under the Resolution, regardless of their dates of issue. No debt service reserve fund will be funded for the Series 2020A Bonds. See "**Summary of Certain Provisions of the Resolution**" in "**APPENDIX E**" hereto.

Obligation No. 5

Payment of the principal of, redemption price of or purchase price in lieu of redemption and interest on the Series 2020A Bonds when due, and payment when due of the obligations of MMC to DASNY under the Loan Agreement, will be secured by payments made by MMC pursuant to Obligation No. 5. Obligation No. 5 will be issued to DASNY, which will assign all payments under Obligation No. 5 to the Bond Trustee for the benefit of the Bondholders. See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Obligations under the Master Indenture**" herein.

Additional Bonds

In addition to the Series 2020A Bonds, the Resolution authorizes the issuance by DASNY of other Series of Bonds to finance Projects and for other specified purposes including refunding Outstanding Bonds or other notes or bonds issued on behalf of any Member of the Obligated Group. Any such Series of Bonds shall be separately secured by (i) the funds and accounts established pursuant to the applicable Series Resolutions, (ii) payments under the applicable Loan Agreement, and (iii) the applicable Obligation to be issued by the Obligated Group pursuant to the Master Indenture.

Events of Default and Acceleration under the Resolution

The following constitute events of default under the Resolution with respect to the Series 2020A Bonds: (i) a default by DASNY in the payment when due of the principal, Sinking Fund Installments or Redemption Price, if any, of or interest on any Series 2020A Bond; (ii) a default by DASNY in the due and punctual performance of any applicable tax covenant which results in the loss of the exclusion of interest on the Series 2020A Bonds from gross income under the Code; (iii) a default by DASNY in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series 2020A Bonds or in the Resolution or in the Series 2020A Resolution which continues for thirty (30) days after written notice thereof is given to DASNY by the Bond Trustee (such notice to be given in the Bond Trustee's discretion or at the written request of holders of not less than 25% in principal amount of Outstanding Bonds unless, if such default is not capable of being cured within thirty (30) days, DASNY has commenced to cure such default within thirty (30) days and diligently prosecutes the cure thereof); or (iv) an "Event of Default," as defined in the Loan Agreement, shall have occurred and is continuing and all sums payable by MMC under the Loan Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled). Failure of MMC to make payment under the Loan Agreement shall not constitute an Event of Default under the Loan Agreement if timely payment of Obligation No. 5 is made by the Obligated Group in place of the payment due under the Loan Agreement. If an Event of Default occurs under the Master Indenture (as defined therein), such default shall constitute an Event of Default under the Loan Agreement. Unless all sums payable by MMC under the Loan Agreement are declared immediately due and payable (and such declaration shall have not been annulled), an Event of Default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default occurs and continues (except with respect to a default described in clause (ii) above), the Bond Trustee shall, upon the written request of the holders of not less than 25% in principal amount of the Series 2020A Bonds, by written notice to DASNY, declare the principal of and interest on the Series 2020A Bonds to be due and payable immediately. At the expiration of thirty (30) days after the giving

of such notice, such principal, Sinking Fund Installments and interest shall become immediately due and payable. The Bond Trustee shall, with the written consent of the holders of not less than 25% in principal amount of Series 2020A Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Resolution provides that the Bond Trustee shall give notice in accordance with the Resolution of each event of default known to the Bond Trustee to the holders within thirty (30) days, in each case after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installment or Redemption Price of, or interest on, any of the Series 2020A Bonds, the Bond Trustee shall be protected in withholding such notice thereof to the holders if the Bond Trustee in good faith determines that the withholding of such notice is in the best interests of the holders of the Series 2020A Bonds.

So long as the Insurer is not in default under the Policy, the Bond Trustee cannot exercise remedies at the direction of the holders without the consent of the Insurer and cannot accelerate without the consent of the Insurer, in each case with respect to the Insured Bonds.

Obligations Under the Master Indenture

Credit Group. The Master Indenture creates the Credit Group, which is comprised of the Members of the Obligated Group and Designated Affiliates. **MMC is currently the only Member of the Obligated Group and there are currently no Designated Affiliates.**

MMC and any future Members of the Obligated Group are jointly and severally obligated for the amounts due on Obligations, including Obligation No. 5. The Designated Affiliates are not obligated to make payments on Obligations. However, they may be required to transfer funds to Members of the Obligated Group in amounts necessary to enable the Members of the Obligated Group to make payments due on Obligations. In addition, financial covenants and ratios under the Master Indenture are based on the Credit Group Financial Statements, including the Designated Affiliates and may include Immaterial Affiliates. See "**Form of Master Indenture**" in "**APPENDIX F**" hereto. See also "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Designated Affiliates**" below.

Issuance of Obligations; Joint and Several Obligations. Under the Master Indenture, MMC and any future Member of the Obligated Group authorizes to be issued from time to time Obligations or Series of Obligations, without limitation as to amount, except as provided in the Master Indenture or as may be limited by law, and subject to the terms, conditions and limitations established in the Master Indenture. Obligations may be in any form set forth in a Related Supplement (as defined in the Master Indenture), including, but not limited to, bonds, notes, obligations, debentures, reimbursement agreements, loan agreements, Financial Product Agreements or leases. Each Member of the Obligated Group jointly and severally covenants to promptly pay, or cause to be paid, all Required Payments at the place, on or before the dates and in the manner provided in the Master Indenture or in any Related Supplement or Obligation. Each Member of the Obligated Group further covenants to faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture, any Related Supplement and any Obligation.

Changes to the Members of the Credit Group. Entities may be added to and withdrawn from the Credit Group from time to time. The Master Indenture imposes minimum conditions on the right of any Member of the Obligated Group or Credit Group Member to enter or withdraw from the Obligated Group or the Credit Group, respectively, at any time, or to change the status of a Member of the Obligated Group to that of a Designated Affiliate; provided, however, in no event may MMC withdraw from the Obligated Group. For a more detailed discussion of entry into or withdrawal from the Obligated Group or Credit Group, respectively, see "**Form of Master Indenture – Payments with respect to Master Indenture Obligations; Designated Affiliates; Credit Group Covenants – Designation of Designated Affiliates**," "– **Membership in Obligated Group**," and **"– Withdrawal from Obligated Group**" in "**APPENDIX F**" hereto.

Designated Affiliates. Under the Master Indenture, MHS, as the Credit Group Representative, may designate "Designated Affiliates" from time to time, and may rescind any such designation at any time. **There are currently no Designated Affiliates under the Master Indenture.** See "**Form of Master Indenture – Payments with respect to Master Indenture Obligations; Designated Affiliates; Credit Group Covenants – Designation of Designated Affiliates**" in "**APPENDIX F**" hereto. In connection with such designation, the Credit Group Representative shall

designate for each Designated Affiliate a Member of the Obligated Group to serve as the Controlling Member for such Designated Affiliate. So long as such Person is designated as a Designated Affiliate, the Controlling Member of such Designated Affiliate shall either (i) maintain, directly or indirectly, control of such Designated Affiliate to the extent necessary to cause such Designated Affiliate to comply with the terms of the Master Indenture, whether through the ownership of voting securities, by contract, corporate membership, reserved powers or the power to appoint corporate members, trustees or directors, or otherwise or (ii) execute and have in effect such contracts or other agreements which the Credit Group Representative and the Controlling Member, in the judgment of their respective Governing Bodies, deem sufficient for the Controlling Member to cause such Designated Affiliate to comply with the terms of the Master Indenture as they relate to Designated Affiliates.

Designated Affiliates are not obligated to make payments on any Obligation. Each Controlling Member agrees, however, that it shall cause each of its Designated Affiliates to pay, loan or otherwise transfer to the Credit Group Representative such amounts as are necessary to enable the Members of the Obligated Group to comply with the provisions of the Master Indenture, subject to applicable legal or regulatory restrictions; *provided*, *however*, that nothing in the Master Indenture shall be construed to require any Controlling Member to cause its Designated Affiliate to pay, loan or otherwise transfer to the Credit Group Representative any amounts that constitute Restricted Moneys.

Security for Obligations Issued Under the Master Indenture. All Obligations Outstanding from time to time under the Master Indenture, are secured, subject only to Permitted Liens, on a parity by security interests in the Gross Receivables of the Members of the Obligated Group and each of the future Members of the Obligated Group (subject to the right of a Member to withdraw from the Obligated Group upon satisfying the applicable provisions of the Master Indenture) and a mortgage lien on and security interest in the Mortgaged Property. See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS − Security and Enforceability Under the Master Indenture – Perfection of a Security Interest**" herein. See also "**Form of Master Indenture – Section 2.06 and Section 3.05**" in "**APPENDIX F**" hereto.

Security Interests in Gross Receivables for Obligations Issued Under the Master Indenture. MMC has granted to the Master Trustee a security interest in its Gross Receivables subject to Permitted Liens, to the extent the same may be pledged and a security interest granted therein under the UCC, whether now owned or hereafter acquired. See "**Form of Master Indenture –Section 3.05**" in "**APPENDIX F**" hereto. Any future Members of the Obligated Group will also be required to grant a security interest in their Gross Receivables. For purposes of the Master Indenture, "*Gross Receivables*" is defined to mean all of accounts, chattel paper, instruments and payment intangibles (all as defined in the UCC) of each Member of the Obligated Group, as are now in existence or as may be hereafter acquired, and the proceeds thereof; excluding, however, (i) the proceeds of any grant, gift, bequest, contribution or other donation (and, to the extent subject to the applicable restrictions, the investment income derived from the investment of such proceeds), and (ii) any income and gains and the proceeds thereof of a Member that is a captive insurance company; to the extent in each case as restricted by law or its terms to an object or purpose inconsistent with their use for the payment of Required Payments (as defined in the Master Indenture). The security interest of the Master Trustee in the Gross Receivables is subject to certain limitations as described below in this section "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Security and Enforceability Under the Master Indenture – Perfection of Security Interest**" herein.

The Master Trustee's security interest in the Gross Receivables described above is and will be perfected, to the extent that such security interest may be so perfected, by the filing of financing statements which comply with the requirements of the UCC. Each Member of the Obligated Group shall cause to be filed, in accordance with the requirements of the UCC, financing statements; and, from time to time thereafter, shall deliver such other documents (including, but not limited to, continuation statements as required by the UCC) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain perfected such security interests or give public notice thereof. UCC financing statements with respect to the Gross Receivables of MMC were filed in 2018. See "**Form of Master Indenture –Section 3.05**" in "**APPENDIX F**" hereto.

Mortgage Granted for Obligations Issued Under the Master Indenture. To secure the payment by the Members of the Obligated Group of all of Obligations under the Master Indenture, including the prompt payment of Obligation No. 5 when due and payable, the Master Indenture requires MMC to execute and deliver one or more mortgages on the Mortgaged Property to the Master Trustee for the equal and ratable benefit of the Holders from time to time of all Obligations issued under the Master Indenture, including but not limited to Obligation No. 5 and Obligation No. 6. Pursuant to the Master Indenture, each Member of the Obligated Group covenants that it will not pledge or grant a security interest in or lien on the Mortgaged Property (except for Permitted Liens or as may be otherwise provided in the Master Indenture). The number and type of Permitted Liens are extensive and may impact

the ability of the Bond Trustee to realize on the security interest in the Mortgaged Property. See "**Form of Master Indenture – Section 2.06**" in "**APPENDIX F**" hereto. For additional information regarding the 2018 Mortgages and the 2019 Mortgages delivered by MMC to the Master Trustee with respect to the 2018 Obligations and Obligation No. 4, see "**PART 1 – INTRODUCTION – Security for the Series 2020A Bonds – Master Indenture**" above. In connection with the issuance of the Series 2020A Bonds and the Series 2020B Taxable Bonds, MMC will deliver to the Master Trustee the 2020 Mortgage to secure Obligation No. 5 and Obligation No. 6. The 2020 Mortgage will be on parity with the 2018 Mortgages and the 2019 Mortgage.

Permitted Liens Under the Master Indenture. Pursuant to the Master Indenture, each Member of the Obligated Group agrees, and each Controlling Member covenants that it will not permit any of its Designated Affiliates to, create or suffer to be created or permit the existence of any Lien upon its Gross Receivables or Property, now owned or hereafter acquired by it, other than Permitted Liens. Permitted Liens include, but are not limited to, Liens that may be granted to secure additional Obligations and other Indebtedness and Liens not otherwise identified as a Permitted Lien where the Value of all Property that is encumbered by such Liens does not exceed 10% of the Value of all Property of the Credit Group Members, calculated at the time of creation of such Lien based on the Credit Group Financial Statements. The Obligated Group may incur substantial liabilities secured by Permitted Liens. See the definition of "Permitted Liens" in "**Form of Master Indenture – Definitions**" in "**APPENDIX F**" hereto.

Other Master Indenture Covenants. In addition to the security and other provisions described above, the Master Indenture contains provisions, covenants and restrictions related to debt service coverage, mergers and other corporate combinations and divestitures, sales, leases or other dispositions of assets and other matters. See "**Form of Master Indenture – Payments with respect to Master Indenture Obligations; Designated Affiliates; Credit Group Covenants – Debt Service Coverage**," **"– Merger, Consolidation, Sale or Conveyance**," **"– Limitation on Disposition of Assets**" and **"– Limitation on Indebtedness**" in "**APPENDIX F**" hereto.

Additional Obligations. Pursuant to the Master Indenture, Obligations may be issued from time to time in the future pursuant to the Master Indenture, and such other Obligations will be secured under the Master Indenture on parity with all other Obligations then outstanding. See "**Form of Master Indenture – Payments with respect to Master Indenture Obligations; Designated Affiliates; Credit Group Covenants – Limitation on Indebtedness**" in "**APPENDIX F**" hereto.

Rights of Bond Insurer under Supplemental Indenture for Obligation No. 5. Pursuant to Supplemental Indenture for Obligation No. 5, the Medical Center has agreed that any amendment of, supplement or modification to, or waiver with respect to, the Master Trust Indenture, Obligation No. 5 or the 2020 Mortgage that requires the consent of the holders of Obligations issued and outstanding under the Master Trust Indenture or that adversely affects the rights and interests of the Bond Insurer shall be subject to the Insurer's prior written consent prior to becoming effective as to the Bond Insurer. These rights are in addition to and independent of the Bond Insurer's rights as the deemed holder of the Insured Bonds.

Security and Enforceability Under the Master Indenture

Perfection of a Security Interest. MMS has granted a security interest in all of its Gross Receivables, subject to Permitted Liens, and has agreed to perfect the grant of a security interest in the Gross Receivables to the extent that the same may be pledged and a security interest granted therein under the UCC. The Master Indenture provides that the Master Trustee's security interest in the Gross Receivables shall be perfected, to the extent that such security interest may be so perfected, by the filing of financing statements which comply with the requirements of the UCC. It may not be possible to perfect a security interest in any manner whatsoever in certain types of Gross Receivables (e.g., certain insurance proceeds and payments under the Medicare and Medicaid programs) prior to actual receipt by any Member. See also "**PART 7 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY – Enforceability of Lien on Gross Receivables**" herein.

Enforceability of the Master Indenture and Future Obligations. The state of the insolvency, fraudulent conveyance and bankruptcy laws relating to the enforceability of guaranties or obligations issued by one corporation in favor of the creditors of another or the obligations of a Member of the Obligated Group to make debt service payments on behalf of a Member of the Obligated Group is unsettled, and the ability to enforce the Master Indenture and the Obligations against any Member of the Obligated Group that would be rendered insolvent thereby could be subject to challenge.

The legal right and practical ability of the Bond Trustee to enforce its rights and remedies against MMC under the Loan Agreement and related documents and of the Master Trustee to enforce its rights and remedies against the Members of the Obligated Group under Obligation No. 5 may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. In addition, the Bond Trustee's and the Master Trustee's ability to enforce such rights will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited. See "**PART 7 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY – Risks Related to Obligations Issued under the Master Indenture**," "**Enforceability of Remedies**" and "**Enforceability of Lien of Gross Receivables**" herein.

The bankruptcy of a Designated Affiliate would not trigger an event of default under the Master Indenture or the Loan Agreement, but the bankruptcy of a Designated Affiliate could have a material adverse effect on the Credit Group. If a Designated Affiliate were to file for bankruptcy and had no contractual obligation to make payments to the Credit Group Representative or the Controlling Member, neither the Credit Group Representative nor the Controlling Member would be able to file a claim in a bankruptcy proceeding involving the Designated Affiliate for the payment of any amounts due on Obligation No. 5 (or a replacement Obligation). The Master Trustee has no contractual rights against Designated Affiliates and would not be able to file such a claim whether or not a contract existed between the Controlling Member and the Designated Affiliate. In addition, in the event the Controlling Member were to become a debtor in a bankruptcy case, or such Controlling Member, as debtor-in-possession, or a trustee in bankruptcy, may not be able to cause the Designated Affiliate to transfer funds to the Obligated Group Agent or the trustee in bankruptcy.

Outstanding Indebtedness

MMC has certain Indebtedness outstanding. See "**Montefiore Obligated Group – Outstanding Indebtedness and Guarantee**s" in "**APPENDIX A**" hereto, "**Montefiore Medical Center Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-1**" hereto and "**Unaudited Consolidated Financial Statements of Montefiore Medical Center as of and for the nine months ended September 30, 2019 and 2018**" in **"APPENDIX B-2**" hereto.

Bond Insurance

The following information is not complete and reference is made to **APPENDIX I** hereto for a specimen of the Policy of AGM.

Bond Insurance Policy. Concurrently with the issuance of the Series 2020A Bonds, Assured Guaranty Municipal Corp. ("*AGM*") will issue its Municipal Bond Insurance Policy (the "*Policy*") for the Series 2020A Bonds maturing on September 1, 2050 and bearing interest at a rate of 3.00% (the "*Insured Bonds*"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as **APPENDIX I** to this Official Statement.

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 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 November 7, 2019, 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 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, 2018.

Capitalization of AGM. At September 30, 2019:

- The policyholders' surplus of AGM was approximately $2,473 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,100 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 $1,829 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 subsidiary Assured Guaranty (Europe) plc ("AGE"), 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 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 Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 (filed by AGL with the SEC on November 8, 2019).

All consolidated financial statements of AGM and all other 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 Bonds shall be deemed incorporated by reference into this Official Statement 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 Official Statement.

Any information regarding AGM included herein under the caption "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Bond Insurance – Assured Guaranty Municipal Corp**." 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 Official Statement, except as so modified or superseded.

Miscellaneous Matters. AGM makes no representation regarding the Bonds or the advisability of investing in the 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 Official Statement 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 "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Bond Insurance**" herein.

PART 3 – THE SERIES 2020A BONDS

*Set forth below is a narrative description of certain provisions relating to the Series 2020A Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolution and the Loan Agreement, copies of which are on file with DASNY and the Bond Trustee. See also "**Summary of Certain Provisions of the Loan Agreement**" in "**APPENDIX D**" hereto and "**Summary of Certain Provisions of the Resolution**" in "**APPENDIX E**" hereto for a more complete description of certain provisions of the Series 2020A Bonds.*

Except as set forth below under "PART 3 – THE SERIES 2020A BONDS – Redemption and Tender for Purchase Provisions", this Official Statement does not describe (i) any other interest rate mode into which the Series 2020A Bonds may be converted, (ii) any provision relating to the tender provisions applicable to the Series 2020A Bonds after any such conversion, or (iii) the remarketing of the Series 2020A Bonds upon any such conversion and the application of the proceeds thereof. A remarketing of the Series 2020A Bonds upon any such conversion will be made solely by a separate offering document or through a private placement to a limited number of institutional investors and not by this Official Statement.

Description of the Series 2020A Bonds

The Series 2020A Bonds will be issued pursuant to the Resolution and will be dated and bear interest from their date of delivery, payable September 1, 2020 and on each March 1 and September 1 thereafter, at the rates, and will mature on the dates set forth on the inside cover page of this Official Statement.

The Series 2020A Bonds are being issued as multimodal rate bonds, initially in a Fixed Rate Mode, maturing on the dates and bearing interest at the rates set forth on the inside cover page hereof through the final maturity date of the Series 2020A Bonds. The Series 2020A Bonds may be converted to Daily or Weekly Rates, Commercial Paper Rates, Term Rates, or new Fixed Rates at the times and upon the conditions set forth in the Resolution. The Series 2020A Bonds may only be converted to another interest rate mode after the Series 2020A Bonds become subject to optional redemption as described under the caption "**PART 3 – THE SERIES 2020A BONDS – Redemption and**

Tender for Purchase Provisions" below and upon successful conversion will be subject to mandatory tender for purchase.

The Series 2020A Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC (as defined herein), pursuant to DTC's Book-Entry Only System. Purchasers of beneficial interests in the Series 2020A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2020A Bonds, the Series 2020A Bonds will be exchangeable for other fully registered Series 2020A Bonds in any other authorized denominations of the same maturity and interest rate without charge except for the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "**PART 3 – THE SERIES 2020A BONDS – Book-Entry Only System**" herein and "**Summary of Certain Provisions of the Resolution**" in "**APPENDIX E**" hereto.

Interest on the Series 2020A Bonds will be payable by check mailed to the registered owners thereof. The principal or redemption price of the Series 2020A Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, the Bond Trustee and Paying Agent. As long as the Series 2020A Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "**PART 3 – THE SERIES 2020A BONDS – Book-Entry Only System**" herein.

Redemption and Tender for Purchase Provisions

The Series 2020A Bonds are subject to optional, special and mandatory redemption and to purchase as described below.

Optional Redemption or Mandatory Tender. The Series 2020A Bonds maturing on or after September 1, 2030 are subject to redemption or mandatory tender for purchase prior to maturity at the election of DASNY, exercised at the direction of or with the consent of MMC (and with respect to a mandatory tender of the Insured Bonds, with the written consent of the Insurer), on or after March 1, 2030, in whole or in part, at any time at a Redemption Price or Purchase Price, as applicable, of 100% of the principal amount of the Series 2020A Bonds to be redeemed or tendered, plus accrued interest to the Redemption Date or Purchase Date, as applicable.

Purchase in Lieu of Optional Redemption or Mandatory Tender. The Series 2020A Bonds maturing on or after September 1, 2030 are also subject to purchase in lieu of optional redemption or mandatory tender prior to maturity at the election of MMC (and, with respect to the Insured Bonds, with the written consent of the Insurer) on or after March 1, 2030, in any order, in whole or in part, at any time, at a Purchase Price of 100% of the principal amount of Series 2020A Bonds to be purchased, plus accrued interest to the Purchase Date.

Special Redemption. The Series 2020A Bonds are also subject to redemption prior to maturity at the option of DASNY, in whole or in part, at 100% of the principal amount thereof, on any Business Day, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the projects financed with the Series 2020A Bonds.

Mandatory Redemption. The Series 2020A Bonds maturing on September 1, 2045 are also subject to redemption, in part, on each September 1 of the years and in the principal amounts set forth below, at a Redemption Price of 100% of the principal amount of the Series 2020A Bonds to be redeemed, plus accrued interest to the redemption date, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on September 1 of each year the principal amount of Series 2020A Bonds specified for each of the years shown below:

September 1	Amount
2041	$7,010,000
2042	7,310,000
2043	7,615,000
2044	7,945,000
2045†	8,285,000

† Final maturity.

The Series 2020A Bonds maturing on September 1, 2050 and bearing interest at a rate of 4.00% are also subject to redemption, in part, on each September 1 of the years and in the principal amounts set forth below, at a Redemption Price of 100% of the principal amount of the Series 2020A Bonds to be redeemed, plus accrued interest to the redemption date, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on September 1 of each year the principal amount of Series 2020A Bonds specified for each of the years shown below:

September 1	Amount
2046	$4,575,000
2047	4,770,000
2048	5,025,000
2049	56,940,000
2050†	59,220,000

† Final maturity.

The Series 2020A Bonds maturing on September 1, 2050 and bearing interest at a rate of 3.00% are also subject to redemption, in part, on each September 1 of the years and in the principal amounts set forth below, at a Redemption Price of 100% of the principal amount of the Series 2020A Bonds to be redeemed, plus accrued interest to the redemption date, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on September 1 of each year the principal amount of Series 2020A Bonds specified for each of the years shown below:

September 1	Amount
2046	$4,065,000
2047	4,195,000
2048	4,370,000
2049	43,040,000
2050†	44,330,000

† Final maturity.

There will be credited against and in satisfaction of the Sinking Fund Installment payable on any date, the principal amount of Series 2020A Bonds entitled to such Sinking Fund Installment (A) purchased with money in the Debt Service Fund pursuant to the Resolution, (B) redeemed at the option of DASNY, (C) purchased by MMC or DASNY and delivered to the Bond Trustee for cancellation or (D) deemed to have been paid in accordance with the Resolution. Series 2020A Bonds purchased with money in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2020A Bonds so purchased payable on the next succeeding September 1. Series 2020A Bonds redeemed at the option of DASNY, purchased by DASNY or MMC (other than from amounts on deposit in the Debt Service Fund) and delivered to the Bond Trustee for cancellation or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments on such dates as DASNY shall specify in a written direction of DASNY delivered to the Bond Trustee at least fifteen (15) days prior to the earliest date on which notice of redemption of the Series 2020A Bonds entitled to such Sinking Fund Installment may be given by the Bond Trustee and the Sinking Fund Installment payable on each date specified in such direction shall be reduced by the principal amount of the Series 2020A Bonds so purchased, redeemed or deemed to have been paid in accordance with the Resolution to be applied in satisfaction of such Sinking Fund Installment as set forth in such direction. To the extent DASNY's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2020A Bonds of the maturity so purchased will be reduced for such year.

Multimodal Bonds in the Fixed Rate Mode. The Series 2020A Bonds are being issued as multimodal rate bonds, initially in the Fixed Rate Mode. DASNY may cause a mandatory tender of such Series 2020A Bonds at the Purchase Price equal to one hundred percent (100%) of the principal amount of the Series 2020A Bonds or portion thereof subject to mandatory tender on any date such Series 2020A Bonds are subject to optional redemption (and with respect to a mandatory tender of the Insured Bonds while in the initial Fixed Rate Mode, with the written consent of the Insurer), subject to the availability of sufficient monies to pay the Purchase Price of such Series 2020A Bonds as set forth in the Resolution. If notice of mandatory tender has been given and funds prove insufficient to pay the

Purchase Price, the Series 2020A Bonds not purchased shall continue in the Fixed Rate Mode, without change in interest rate, maturity date or other terms. Other modes to which such Series 2020A Bonds may be converted are not described in this Official Statement.

Selection of Series 2020A Bonds to be Redeemed or Tendered. In the case of redemption or tender of Series 2020A Bonds, other than from Sinking Fund Installments, DASNY, at the direction of MMC, will select the maturity of the Series 2020A Bonds bearing interest at the same interest rate to be redeemed or tendered. If less than all of the Series 2020A Bonds of a maturity bearing interest at the same interest rate are to be redeemed or tendered, the Series 2020A Bonds of such maturity and same interest rate to be redeemed or tendered will be selected by the Bond Trustee, by lot, using such method of selection as the Bond Trustee considers proper in its discretion.

Notice of Redemption and its Effect. The Bond Trustee is to give notice of the redemption of the Series 2020A Bonds in the name of DASNY, by first class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2020A Bonds which are to be redeemed, at their last known addresses appearing on the registration books of DASNY. If DASNY's obligation to redeem Series 2020A Bonds is subject to conditions, the notice of redemption will contain a statement to such effect that describes the conditions to such redemption. Having mailed such notice of redemption, the failure of any holder to receive such notice or any defect in such notice will not affect the validity of the proceedings for the redemption of the Series 2020A Bonds.

If on the redemption date moneys for the redemption of the Series 2020A Bonds of like maturity and interest rate to be redeemed, together with interest thereon to the redemption date are held by the Bond Trustee so as to be available for payment of the Redemption Price, then interest on the Series 2020A Bonds of such maturity and interest rate to be redeemed will cease to accrue from and after the redemption date and such Series 2020A Bonds will no longer be considered to be Outstanding under the Resolution.

For a description of certain other provisions relating to the Series 2020A Bonds, see "**Summary of Certain Provisions of the Resolution**" in "**APPENDIX E**" hereto.

Notice of Mandatory Tender. The Bond Trustee is to give notice of a call for mandatory tender of the Series 2020A Bonds in the name of DASNY, by first class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the mandatory tender date to the registered owners of any Series 2020A Bonds which are to be tendered, at their last known addresses appearing on the registration books of DASNY. Each notice of mandatory tender shall state in addition to any other condition, that the purchase is conditioned upon the availability on the mandatory tender date of funds sufficient to pay the Purchase Price of the Series 2020A Bonds to be purchased. Having mailed such notice of tender, the failure of any holder to receive such notice or any defect in such notice will not affect the validity of the proceedings for the tender of the Series 2020A Bonds.

For a description of certain other provisions relating to the Series 2020A Bonds, see "**Summary of Certain Provisions of the Resolution**" in "**APPENDIX E**" hereto.

Notice of Purchase in Lieu of Redemption and its Effect. Notice of purchase of the Series 2020A Bonds will be given in the name of MMC to the registered owners of the Series 2020A Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the Purchase Date specified in such notice. The Series 2020A Bonds to be purchased are required to be tendered on the Purchase Date to the Bond Trustee. Series 2020A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event the Series 2020A Bonds are called for purchase in lieu of an Optional Redemption, such purchase will not operate to extinguish the indebtedness of DASNY evidenced thereby or modify the terms of the Series 2020A Bonds and such Series 2020A Bonds need not be cancelled, but will remain Outstanding under the Resolution and continue to bear interest.

MMC's obligation to purchase a Series 2020A Bond or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2020A Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2020A Bonds to be purchased, the former registered owners of such Series 2020A Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2020A Bonds shall not be subject to

purchase and will continue to bear interest in the Fixed Rate Mode at the rates set forth on the inside cover of the Official Statement.

In the event not all of the Outstanding Series 2020A Bonds of a maturity and interest rate, if applicable, are to be purchased, the Series 2020A Bonds to be purchased will be selected by lot in the same manner as Series 2020A Bonds of a maturity and interest rate to be redeemed in part are to be selected.

For a description of certain other provisions relating to the Series 2020A Bonds, see "**Summary of Certain Provisions of the Resolution**" in "**APPENDIX E**" hereto. See also "**PART 3 – THE SERIES 2020A BONDS – Book-Entry Only System**" below for a description of the notices of redemption to be given to Beneficial Owners of the Series 2020A Bonds when the Book-Entry Only System is in effect.

Book-Entry Only System

The Depository Trust Company ("*DTC*"), New York, New York, will act as securities depository for the Series 2020A Bonds. The Series 2020A 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 2020A Bond certificate will be issued for each maturity and interest rate of the Series 2020A Bonds, totaling in the aggregate the principal amount of the Series 2020A Bonds, 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 Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2020A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020A Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2020A 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 2020A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020A Bonds, except in the event that use of the book-entry system for such Series 2020A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2020A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020A Bonds are credited, which may or may not be the

Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2020A Bonds within a particular maturity and interest rate of the Series 2020A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2020A 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 DASNY or the Bond Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Underwriters, the Bond Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DASNY or the Bond 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 depository with respect to the Series 2020A Bonds at any time by giving reasonable notice to DASNY or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2020A Bond certificates are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2020A 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 DASNY believes to be reliable, but DASNY takes no responsibility for the accuracy thereof.

Each person for whom a Direct Participant or Indirect Participant acquires an interest in the Series 2020A Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, and may desire to make arrangements with such Direct Participant or Indirect Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Direct Participant or Indirect Participant and to have notification made of all interest payments. NONE OF DASNY, THE BOND TRUSTEE, THE UNDERWRITERS OR MMC WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2020A BONDS.

So long as Cede & Co. is the registered owner of the Series 2020A Bonds, as nominee for DTC, references herein to the Holders or registered owners of the Series 2020A Bonds (other than under "**PART 11 – TAX MATTERS**" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2020A Bonds.

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

For every transfer and exchange of Series 2020A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DASNY, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2020A Bonds if DASNY determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2020A Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Bond Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by DASNY or restricted registration is no longer in effect, Series 2020A Bond certificates will be delivered as described in the Resolution.

NONE OF DASNY, MMC, THE UNDERWRITERS OR THE BOND TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2020A BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OR PURCHASE IN LIEU OF REDEMPTION OF THE SERIES 2020A BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2020A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2020A BONDS; OR (VI) ANY OTHER MATTER.

PART 4 – PLAN OF FINANCE

MMC's Plan of Finance includes issuing $706,510,000 of bonds in two series, consisting of the Series 2020A Bonds and the Series 2020B Taxable Bonds.

The Series 2020A Bonds are being issued by DASNY for the purpose of (i) financing (a) the construction and equipping of the White Plains Hospital Medical Center's hospital outpatient and office building project (the "*HOB Project*"), (b) certain other capital projects and (c) the acquisition of equipment; (ii) refinancing all of the Build NYC Resource Corporation Revenue Bonds, Series 2013A (2013 Montefiore Medical Center Project) (the "*Refunded Series 2013A Bonds*"), which are currently outstanding in the aggregate principal amount of $30,950,199.09, (iii) refinancing all of the Build NYC Resource Corporation Revenue Bonds, Series 2013B (2013 Montefiore Medical Center Project) (the "*Refunded Series 2013B Bonds*" and, together with the Refunded Series 2013A Bonds, the "*Refunded Bonds*"), which are currently outstanding in the aggregate principal amount of $26,656,352.78, (iv) repaying the current outstanding balance of the corporate line of credit provided by Bank of America, N.A. (an affiliate of one of the Underwriters of the Series 2020A Bonds), and (iv) paying costs of issuance on the Series 2020 Bonds and the refunding of the Refunded Bonds. See "**PART 16 – UNDERWRITING**" herein.

The Series 2020B Taxable Bonds are being issued by MMC to provide funds (i) for general corporate purposes of MMC and its affiliates, and (ii) to pay the costs of issuance of the Series 2020B Taxable Bonds.

PART 5 – PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS

The following is a summary of the estimated debt service requirements on the Series 2020A Bonds, the Series 2020B Taxable Bonds and certain other indebtedness of MMC:

Year Ending December 31	Series 2020A Bonds		Series 2020B Taxable Bonds[1]		Other Outstanding Debt[2][3]	Total Debt Service
	Principal	Interest	Principal	Interest		
2020	--	$ 7,352,121	--	$ 7,828,082	$ 72,297,822	$ 87,478,025
2021	--	13,857,400	--	14,754,500	72,821,171	101,433,071
2022	--	13,857,400	--	14,754,500	73,383,558	101,995,458
2023	--	13,857,400	--	14,754,500	73,974,779	102,586,679
2024	--	13,857,400	--	14,754,500	85,843,720	114,455,620
2025	--	13,857,400	--	14,754,500	85,819,189	114,431,089
2026	--	13,857,400	--	14,754,500	87,538,459	116,150,359
2027	$ 9,955,000	13,857,400	--	14,754,500	83,436,175	122,003,075
2028	9,710,000	13,359,650	--	14,754,500	84,178,241	122,002,391
2029	8,940,000	12,874,150	--	14,754,500	85,432,752	122,001,402
2030	6,440,000	12,427,150	--	14,754,500	88,378,391	122,000,041
2031	5,385,000	12,105,150	--	14,754,500	89,755,725	122,000,375
2032	5,640,000	11,835,900	--	14,754,500	89,771,328	122,001,728
2033	4,750,000	11,553,900	--	14,754,500	90,940,335	121,998,735
2034	4,385,000	11,316,400	--	14,754,500	91,544,802	122,000,702
2035	4,495,000	11,097,150	--	14,754,500	91,655,797	122,002,447
2036	4,760,000	10,872,400	--	14,754,500	91,616,159	122,003,059
2037	4,000,000	10,682,000	--	14,754,500	90,537,429	119,973,929
2038	6,190,000	10,522,000	--	14,754,500	90,532,326	121,998,826
2039	6,445,000	10,274,400	--	14,754,500	90,525,551	121,999,451
2040	6,720,000	10,016,600	--	14,754,500	90,509,031	122,000,131
2041	7,010,000	9,747,800	--	14,754,500	90,488,384	122,000,684
2042	7,310,000	9,467,400	--	14,754,500	90,471,399	122,003,299
2043	7,615,000	9,175,000	--	14,754,500	90,455,095	121,999,595
2044	7,945,000	8,870,400	--	14,754,500	90,431,229	122,001,129
2045	8,285,000	8,552,600	--	14,754,500	90,411,542	122,003,642
2046	8,640,000	8,221,200	--	14,754,500	90,386,771	122,002,471
2047	8,965,000	7,916,250	--	14,754,500	90,367,654	122,003,404
2048	9,395,000	7,599,600	--	14,754,500	90,254,065	122,003,165
2049	99,980,000	7,267,500	--	14,754,500	-	122,002,000
2050	103,550,000	3,698,700	$ 350,000,000	14,754,500	-	472,003,200
Total	$ 356,510,000	$ 333,807,221	$ 350,000,000	$ 450,463,082	$2,523,758,880	$4,014,539,182

[1] The Series 2020B Taxable Bonds are not subject to the terms hereof and are being offered pursuant to a separate offering document.

[2] Other Outstanding Debt excludes indebtedness that is anticipated to be refinanced with the Series 2020A Bonds and the Series 2020B Taxable Bonds.

[3] Existing debt service smoothed in accordance with the provisions of the Master Indenture as of the date of issuance of the Series 2020A Bonds and the Series 2020B Taxable Bonds and excludes guarantees.

PART 6 – ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2020A Bonds and the Series 2020B Taxable Bonds:

	Series 2020A Bonds	Series 2020B Taxable Bonds	Total
Sources of Funds			
Principal Amount	$ 356,510,000	$ 350,000,000	$ 706,510,000
Original Issue Premium	41,412,270	--	41,412,270
Other Available Funds	63,467	--	63,467
Total Sources of Funds	$ 397,985,737	$ 350,000,000	$ 747,985,737
Uses of Funds			
Refunded Bonds	$ 57,740,031	--	$ 57,740,031
Repay Outstanding Balance of Line of Credit	63,300,000	--	63,300,000
Deposit to Project Fund	271,374,932	--	271,374,932
Deposit to Debt Service Fund	63,467	--	63,467
General Corporate Purposes	--	$ 345,842,237	345,842,237
Costs of Issuance and Related Costs*	5,507,307	4,157,763	9,665,070
Total Uses of Funds	$ 397,985,737	$ 350,000,000	$ 747,985,737

* Includes Underwriters' discount, legal fees, rating agency fees, Bond Trustee and Master Trustee fees, costs of printing, accountant's fees, financial advisor fees, the premium for the Policy relating to the Insured Bonds and other costs.

PART 7 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY

The following discussion of risks to holders of the Series 2020A Bonds, in addition to other risks described throughout this Official Statement, is not intended to be exhaustive, but rather to summarize certain matters which could affect payment of the Series 2020A Bonds or the financial condition of MMC.

General Factors Affecting the Series 2020A Bonds and MMC's Revenues and Expenses

AN INVESTMENT IN THE SERIES 2020A BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE PURCHASER OF THE SERIES 2020A BONDS IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. REFER TO THE SECTION "**PART 2 – SOURCES OF PAYMENT FOR THE SERIES 2020A BONDS**" HEREIN AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2020A BONDS. The factors listed below, among others, could adversely affect MMC's operation, revenues and expenses to an extent and in a manner which cannot be determined at this time.

Introduction

Payment of the Series 2020A Bonds depends directly on the ability of the members of the Obligated Group, currently MMC only, to collectively generate revenues sufficient to cover the debt service on the Series 2020A Bonds and all other indebtedness of the Obligated Group. In the last decade, health care providers, especially hospitals, have faced increasing economic pressures from both governmental health care programs and private purchasers of health care such as insurance companies and health maintenance organizations (collectively "*third party payers*"). The dependence of hospitals on governmental programs requires them to accept limitations on payments and comply with regulations and other restrictions and requirements triggered by participation in such programs. Some governmental and private third-party payers have entered into contracts with health care providers that require "capitated" or other fixed payments, which have the effect of shifting significant economic risks to health care providers.

Health care, especially at the hospital level, is a highly regulated industry with complicated and frequently changing regulations arising both from payment programs and extensive governmental oversight. Health care providers are increasingly subject to audits, investigations and litigation that may threaten access to governmental

payment programs, require substantial fines and payments, generate adverse publicity and create significant legal and other transaction costs. In addition, because MMC is a 501(c)(3) organization under the Internal Revenue Code (the "*Code*"), it is subject to regulation and restrictions that may have adverse effects on its economic performance or threaten its tax-exempt status and the economic benefits derived from such status. In particular, such regulations and restrictions may require the provision of health care services without payment to a greater degree than is currently the case.

Set forth below is a limited discussion of certain of the risks affecting MMC *and its ability to provide for payment of the Series 2020A Bonds. Investors should recognize that the discussion below does not cover all such risks, that payment provisions and regulations and restrictions change frequently and that additional material payment limitations and regulations and restrictions may be created, implemented or expanded while the Series 2020A Bonds are outstanding. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors along with all other information described elsewhere or incorporated by reference in this Official Statement, including the Appendices hereto, in evaluating the Series 2020A Bonds.*

Adequacy of Revenues

Except to the extent otherwise noted herein, the Series 2020A Bonds are payable solely from the payments required to be made by MMC to DASNY under the Loan Agreement and Obligation No. 5. No representation or assurance can be made that revenues will be realized by MMC in amounts sufficient to pay maturing principal of, redemption premium, if any, and interest on the Series 2020A Bonds. The ability of MMC to make payments under the Loan Agreement and the ability of DASNY to make payments on the Series 2020A Bonds under the Resolution depends, among other things, upon the capabilities of management of MMC and the ability of MMC to maximize revenues under various third party payment programs and to minimize costs and to obtain sufficient revenues from their 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 MMC to make payments in amounts sufficient to meet its obligations under the Loan Agreement, the Master Indenture and Obligation No. 5. This discussion is not, and is not intended to be, exhaustive.

The ability of MMC to make required payments under the Loan Agreement and Obligation No. 5 is subject to, among other things, 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 2020A Bonds. Future revenues and expenses of MMC will be affected by events and conditions relating generally to, among other things, demand for MMC's services, its ability to provide the services required by patients, physicians' relationships with MMC, patient and physician satisfaction with MMC and its facilities, management capabilities, the design and success of MMC's strategic plans, demographic, financial and economic developments in the United States, the State and MMC's service area, MMC's ability to control expenses, maintenance by MMC of relationships with managed care organizations ("*MCOs*") and PPOs (as defined herein), competition, rates, costs, third party payment, legislation and governmental regulation. The ability of MMC to operate successfully over the life of the Series 2020A 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 MMC's expectations, and the variations may be material. DASNY has not made any independent investigation of the extent to which any such factors may have an adverse impact on the financial condition of MMC. THERE CAN BE NO ASSURANCE THAT THE REVENUES OF MMC WILL BE SUFFICIENT TO ENABLE MMC TO MAKE SUCH PAYMENTS.

None of the provisions, covenants, terms and conditions of the Master Indenture or the Loan Agreement will afford the Bond Trustee any assurance that the principal and interest owing under the Loan Agreement and Obligation No. 5 (which, except for money held under the Resolution and the other collateral securing the Series 2020A Bonds, constitute the sole source of funds for the payment of the Series 2020A Bonds) will be paid as and when due, if the financial condition of MMC deteriorates to a point where it is unable to pay its debts as they come due, or otherwise become insolvent.

Event of Taxability of the Series 2020A Bonds

If MMC does not comply with certain covenants set forth in the Loan Agreement or if certain representations or warranties made by MMC in the Loan Agreement or in certain certificates of MMC are false or misleading, the interest paid or payable on the Series 2020A Bonds may become subject to inclusion in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020A Bonds, regardless of the date on which such noncompliance or misrepresentation is ascertained. In the event that the interest on the Series 2020A Bonds becomes subject to inclusion in gross income for federal income tax purposes, the Resolution does not provide for payment of any additional interest on the Series 2020A Bonds, the redemption of the Series 2020A Bonds or the acceleration of the payment of principal on the Series 2020A Bonds.

Maintenance of 501(c)(3) Status

The federal tax-exempt status of the Series 2020A Bonds presently depends upon maintenance by MMC of its status as organizations described in Section 501(c)(3) of the Code. MMC has been determined to be a tax-exempt organization described in Section 501(c)(3) of the Code. To maintain such status, such entity must conduct its operations in a manner consistent with representations previously made to the Internal Revenue Service (the "*IRS*") and with current and future IRS regulations and rulings governing tax-exempt health care facilities.

Compliance with current and future regulations and rulings of the IRS could adversely affect the ability of MMC to charge and collect revenues, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Series 2020A Bonds. Although MMC has covenanted to maintain its status as a tax-exempt organization, loss of tax-exempt status would likely have a significant adverse effect on MMC and its operations and could result in the includability of interest on the Series 2020A Bonds in gross income for federal income tax purposes retroactive to their date of issue. See "**PART 11 – TAX MATTERS**" herein.

The tax-exempt status of nonprofit corporations, and the exclusion of income earned by them from taxation, has been the subject of review by various federal, state and local legislative, regulatory and judicial bodies. This review has included proposals to broaden and strengthen existing federal tax law with respect to unrelated business income of nonprofit corporations.

There can be 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 MMC by requiring it to pay income, real estate or other taxes.

Nonprofit Health Care Environment

MMC is a nonprofit corporation, exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code. As a nonprofit tax-exempt organization, MMC is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operation for charitable purposes.

An increasing number of the operations or practices of health care providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for nonprofit 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 examine core business practices of health care 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, 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. If MMC were to face a challenge of this nature, it could have a material impact on the financial condition of MMC in the future. These challenges or examinations include the following, among others:

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed against various nonprofit 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 nonprofit 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.

Congressional Hearings. In recent years, multiple congressional committees have conducted hearings and other proceedings inquiring into various practices of nonprofit hospitals and health care providers. Among the legislation proposed or discussed as a result of these hearings and proceedings are: (i) establishment of minimum required levels of charity care to be provided by nonprofit health care providers; (ii) periodic review of hospitals' tax-exempt status by the IRS; and (iii) greater and more uniform reporting of charitable and community benefit activities.

IRS Form 990 for Not-for-Profit Corporations. The IRS Form 990 is used by 501(c)(3) not-for-profit organizations (including MMC) 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.

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.

The Patient Protection and Affordable Care Act. The Affordable Care Act (as hereinafter defined) imposed additional requirements on nonprofit hospitals in order to maintain their tax-exempt status. First, each hospital must conduct a community health needs assessment at least once every three taxable years and adopt an implementation strategy to meet the needs identified, or be subject to an excise tax penalty of $50,000. Hospitals must disclose a summary of the assessment and implementation strategy and audited financial statements on Form 990. The Secretary of the Treasury must review the community benefit of the activities of each tax-exempt hospital at least once every three years and must submit an annual report to Congress with information regarding the levels of charity care, bad debt expenses, unreimbursed costs of government programs, and costs incurred by tax-exempt hospitals for community benefit activities. Second, each hospital must adopt, implement and publicize a financial assistance policy and a policy relating to emergency medical care. Third, hospitals must limit the charges for emergency or other medically necessary care provided to individuals eligible for assistance under the financial assistance policy to not more than the amounts generally billed to individuals who have insurance that covers such care. Finally, a hospital may not engage in extraordinary collection actions before making reasonable efforts to determine whether an individual is eligible for assistance under the organization's financial assistance policy.

The IRS has expanded the annual reporting requirements in IRS Form 990 to include information concerning a hospital's community benefit and billing practices that are required as part of the Affordable Care Act. In addition, the IRS has increased its scrutiny of the community benefits provided by nonprofit hospitals. Due to a lack of uniformity in definition of community benefit used by reporting hospitals, the IRS has created four new standardized requirements necessary to maintain tax-exempt status, which include: conducting and implementing a community health needs assessment, adopting, implementing and publicizing financial assistance policies; limiting the charges for emergency or necessary care; and refraining from engaging in extraordinary collection activities before making a reasonable effort to determine whether an individual is eligible for financial assistance. In February 2019, the Senate Finance Committee requested additional information from the IRS regarding its oversight of tax-exempt hospitals and compliance with the new requirements imposed by the Affordable Care Act.

The Treasury Department and IRS oversight and reporting on community benefit activities of 501(c)(3) hospitals may increase the likelihood that Congress will require such hospitals to provide a minimum level of charity care in order to retain their tax-exempt status and may increase IRS scrutiny of particular 501(c)(3) hospital organizations.

IRS Focus on Private Benefit and Private Inurement. The Code contains restrictions on the issuance of tax-exempt bonds for the purpose of financing and refinancing different types of health care facilities for not-for-profit

organizations, including facilities generating taxable income. The Code continues to subject unrelated business income of nonprofit organizations to taxation.

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

Any suspension, limitation, or revocation of the tax-exempt status of MMC or assessment of significant tax liability would have a material adverse effect on MMC.

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

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person." Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit call into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it will involve "excess benefit." "Excess benefit transactions" include transactions in which a disqualified person receives compensation for services that exceeds the fair market value of the services provided by the disqualified person. "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.

Any imposition of a penalty excise tax or the loss of tax-exempt status, based upon a finding that MMC engaged in an excess benefit transaction could result in negative publicity and other consequences that could have a materially adverse effect on the operations, property or assets of MMC.

Tax Audits. Taxing authorities have historically conducted tax audits of nonprofit organizations to confirm that such organizations are in compliance with applicable tax rules and in some instances have collected significant payments as part of the settlement process. Such audit processes may be prolonged, and it may take several years to reach the final determination of allowable amounts. MMC is not currently under audit.

The foregoing are some examples of the challenges and examinations facing nonprofit health care 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 health care organizations. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on MMC.

Challenges to Real Property Tax Exemptions. Recently, the real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities have been challenged on the grounds that the health care providers were not engaged in charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. While MMC is not aware of any current challenge to the tax exemption afforded to any material real property of MMC, it is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of state or local governments

will not materially adversely affect the financial condition of MMC by requiring payment of income, local property or other taxes.

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 payment 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. Furthermore, 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.

As described above under the caption "**Nonprofit Health Care Environment – Litigation Relating to Billing and Collection Practices**," charity care issues also serve as the basis of certain claims against major hospital systems throughout the United States on behalf of uninsured patients. Many lawsuits filed against nonprofit hospitals raise a number of claims against the hospital defendants, including claims that the defendants, by accepting tax-exempt status, entered into agreements with the federal, state and local governments promising to provide free or reduced care to all those who need it; the uninsured patients are beneficiaries of those agreements and can bring suit on them; the defendants engaged in illegal and oppressive tactics against the uninsured; the defendants engaged in illegal price discrimination by charging the uninsured rates far in excess of the rates charged to such third party payors as Medicare and certain insurers; the defendants violated state consumer fraud statutes; the defendants allowed a portion of their properties to be used by for-profit entities at less than fair value and engaged in other inappropriate transactions with doctors and certain insiders; the defendants transferred monies illegally to their affiliates for other than charitable purposes; and the defendants and the American Hospital Association, another named defendant in many of the lawsuits, conspired with the defendants to charge illegal prices to the uninsured.

Litigation has been initiated against several hospitals in the United States by individual uninsured plaintiffs alleging, among other things, that the defendants violated their duty to the plaintiffs by charging higher rates and fees for services to those plaintiffs than the hospitals received from Blue Cross Blue Shield entities, Medicare, Medicaid or other insurers. Among the remedies sought by the plaintiffs are money damages and a court order against the defendants compelling them to reduce the rates and fees charged to uninsured patients.

Federal Legislation

On January 2, 2013, the American Taxpayer Relief Act of 2012 (the "*Taxpayer Relief Act*") was signed into law to address the federal deficit and the budget sequestration provisions of the Budget Control Act of 2011. The Taxpayer Relief Act postponed the budget sequestration provisions of the Budget Control Act of 2011 for two months to allow Congress to attempt to reach a budget compromise. With no budget compromise forthcoming, on March 1, 2013, President Obama issued a sequestration order, requiring across-the-board reductions in Federal spending. Accordingly, on March 8, 2013, Centers for Medicare and Medicaid Services ("*CMS*") announced that Medicare claims for payment with a date of service or date of discharge on or after April 1, 2013, will incur a two percent (2%) reduction in Medicare payment. The Bipartisan Budget Act of 2018 extended these reductions through 2027. It is possible that Congress could act to extend or increase these across-the-board reductions, which would have a material adverse financial impact on MMC by reducing Medicare revenue.

In 2010, the Patient Protection and Affordable Care Act was signed into law along with the Health Care and Education Reconciliation Act. Together, these laws (hereinafter referred to as the "*Affordable Care Act*") introduced the most far reaching changes in our national health care system since the creation of Medicare in 1965. The Affordable Care Act affects health care organizations in countless ways through insurance reforms, changes in Medicare and Medicaid provider payments, quality and transparency initiatives, and delivery system reforms. The most significant health insurance coverage reforms began in 2014 and included such provisions as prohibiting health insurers from denying coverage or refusing claims based on pre-existing conditions, expanding Medicaid eligibility, subsidizing insurance premiums, providing incentives for businesses to provide health care benefits, and establishing health insurance exchanges.

The Affordable Care Act is complex, and includes many new programs and initiatives and changes to existing programs, policies, practices and laws. Further, as discussed below, the Affordable Care Act is highly politicized. President Trump's stated goal is to roll back implementation of key elements of the Affordable Care Act or repeal it entirely. At the same time, several of the Democratic candidates for President of the United States are campaigning to

replace the Affordable Care Act with a national single-payer health system. Some of the specific provisions of the Affordable Care Act that may affect hospital operations, financial performance or financial conditions are described below. This list is not exhaustive.

- Annual inflation adjustments to Medicare payments have been reduced.
- Many state Medicaid programs have been expanded to a broader population.
- Medicare has begun reducing payments to hospitals found to have an excess readmissions ratio for certain conditions.
- To reduce waste, fraud, and abuse in public programs, the Affordable Care Act provides for provider enrollment screening, enhanced oversight periods for new providers and suppliers, enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs, increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.
- Medicare payments to certain hospitals to cover conditions acquired during hospitalization have been reduced and federal payments to states for Medicaid services related to hospital-acquired conditions are prohibited.
- A value-based purchasing program has been established under the Medicare program. Under this program, hospital payments will increase or decrease depending on a hospital's performance vis-a -vis established quality measures.
- Medicare and Medicaid Disproportionate Share Hospital ("*DSH*") allotments to each state were slated for reductions, based on state-wide reduction in uninsured and uncompensated care. However, Congress has repeatedly delayed these cuts.

The Affordable Care Act has been subject to significant opposition in the political and judicial arenas. Multiple lawsuits challenging the constitutionality of the Affordable Care Act have been filed by private and state parties in federal courts. The U.S. Supreme Court decided the constitutionality of certain provisions of the Affordable Care Act in *National Federation of Independent Business v. Sebelius*: (i) the "individual mandate" that requires individuals to purchase health insurance starting in 2014 or be penalized, and (ii) the expansion of the Medicaid program. On June 28, 2012, the Supreme Court of the United States upheld a constitutional challenge to the Affordable Care Act. The Court held that the insurance mandate was constitutional under Congress's taxing power. However, the Court ruled that Congress's expansion of the Medicaid program was unconstitutional because it would have withdrawn all federal funding to states that did not abide by the expansion. Accordingly, states have the option of expanding Medicaid under the Affordable Care Act. In a subsequent case decided in June 2015, *King v. Burwell*, the Supreme Court upheld the grant of federal subsidies to individuals who obtain insurance through the federally managed health insurance exchange.

Although the Supreme Court's ruling in this case removed a significant source of uncertainty surrounding the implementation of the Affordable Care Act, further challenges pose a significant risk. For example, ongoing litigation challenging the Affordable Care Act is underway now. In the case of *Texas v. Azar*, a group of states, including Texas challenged the Affordable Care Act on the grounds that the individual mandate with no tax penalty was not a tax and therefore unconstitutional. On December 18, 2019, the U.S. Court of Appeals for the Fifth Circuit ruled 2-1 in this case that the Affordable Care Act's individual mandate is unconstitutional, remanding the case to the original trial court in the Northern District of Texas to determine whether this invalidates the entire Affordable Care Act. In early January 2020, 19 Democratic state attorneys general and the Kentucky governor petitioned the U.S. Supreme Court to hear the case on an expedited basis, without waiting for the District Court's review. It is uncertain whether the Supreme Court will do so. The stakes of the lawsuit are significant. If the entire Affordable Care Act is invalidated, that could mean that health insurers could once again refuse coverage or otherwise discriminate against patients who have preexisting conditions. Additionally, it would mean that roughly 20 million people who obtained insurance after the Affordable Care Act was implemented could lose it.

Beyond court challenges, President Trump and Republican leaders of Congress have repeatedly advocated for the repeal and replacement of the Affordable Care Act as a key goal. In December 2017, Congress enacted the Tax Cuts and Jobs Act of 2017 (the "*Tax Cuts and Jobs Act*"), which repealed the penalty for failing to obtain health

insurance under the Affordable Care Act (this is the source of the challenge in *Texas v. Azar*). MMC cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation. Moreover, uncertainties regarding the implementation of the Affordable Care Act on a national level and in New York State create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a risk.

Administrative Actions regarding the Affordable Care Act

The implementation of the Affordable Care Act and the Affordable Care Act insurance exchange markets can be significantly affected by executive branch actions. In 2017, President Trump issued an executive order requiring all federal agencies with authorities and responsibilities under the Affordable Care Act to "exercise all authority and discretion available to them to waive, defer, grant exemptions from or delay" parts of the Affordable Care Act that place "unwarranted economic and regulatory burdens" on states, individuals or health care providers. MMC cannot predict the effect of these executive branch actions on MMC's business or financial condition, though such effects could be material.

On June 21, 2018, the U.S. Department of Labor published a final rule, amending the definition of "employer" under section 3(5) of the Employee Retirement Income Security Act ("*ERISA*") to allow for the establishment of group or association health plans ("*AHPs*") that broadens the criteria under ERISA for determining when and how employers may form associations to offer group health plans to multiple employers and self-employed individuals. The final rule was intended to expand access to group health coverage; however, the final rule also eliminates certain requirements for a health plan under the Affordable Care Act.

Tax Reform. On December 22, 2017, President Trump signed into law 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. The Tax Cuts and Jobs Act also eliminated, effective 2019, the tax penalties associated with failure to comply the Affordable Care Act's individual mandate. The elimination of the individual mandate may result in a higher uninsured rate, which may adversely affect the financial condition of MMC.

The Tax Cuts and Jobs Act also eliminated the issuance of tax-exempt bonds to advance refund outstanding tax-exempt bonds; imposed an excise tax on exempt entities' executive compensation in excess of $1,000,000 per year; required that the tax on an exempt organization's unrelated business income be computed separately for each line of business; required the inclusion of certain fringe benefits in the calculation of unrelated business income tax; and limits the use of net operating losses in computing unrelated business income tax, each of which may, collectively or individually, adversely affect the financial condition of MMC.

Federal and State Policies Affecting Health Care Facilities. Legislation is periodically introduced in Congress and in the New York State Legislature that could result in limitations on MMC's revenue, third-party payments, and costs or charges, or that could result in increased competition or an increase in the level of uncompensated care required to be provided by MMC. From time to time, legislative and regulatory proposals are made at the federal and state level to engage in broader reform of the health care industry, including proposals to promote competition in the health care industry, to contain health care costs, eliminate the 340B drug discount program, change existing nurse staffing ratios, impose administratively burdensome regulations and to impose additional requirements and restrictions on health care insurers, providers and other health care entities. Additionally, members of Congress and candidates for President of the United States have introduced proposals to adopt a national, single-payer health system. Similar proposals are being pushed in New York State. The impact of future reform efforts on MMC cannot be predicted at this time, and may have a material effect on MMC's finances and operations.

Risks Related to Rules Governing Payment for Health Care Services

The Medicare and Medicaid Programs

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 is administered by the CMS of the federal Department of Health and Human Services ("*DHHS*"). Medicaid is funded jointly by the federal government and the states and provides medical assistance to certain needy individuals and families. Significant changes have been and may be made in the Medicare and Medicaid programs that could have a material adverse impact on the financial condition of MMC, for example, by decreasing the amount of payment for services. In addition, the requirements for Medicare and Medicaid certification are subject to change, and to remain qualified for participation in such programs, it may be

necessary for MMC to effect changes from time to time in its facilities, equipment, personnel, billing processes, policies and services.

Medicare

Medicare pays acute care hospitals for services provided on an inpatient basis according to the inpatient prospective payment system ("*IPPS*"). IPPS pays hospitals a pre-determined amount for services. The amount of the payment is the product of a nationally determined base payment rate, which is adjusted for a variety of factors on a hospital-specific basis, and a relative weight that reflects the anticipated costs of care in a particular clinical category compared with a national average of all cases. The base rate is designed to provide some payment to hospitals for both inpatient operating and capital related costs. The base rate is adjusted by factors related to market conditions of a hospital's geographic location and other circumstances of a particular hospital, such as whether it is a teaching hospital. The relative weight factor of an IPPS calculation depends on the clinical category of services rendered to a patient. The clinical category is determined by how a patient's case is classified at discharge under one of hundreds of Severity Diagnosis Related Groups ("*MS-DRG*") defined by the CMS.

The IPPS standardized base rates are updated annually based on a statistical estimate of the increase (the "*update factor*") in the cost of goods and services used by hospitals in providing care (the "*market basket*"). Currently, the update factor equals the percentage increase in the market basket, but from time to time Congress has set updates legislatively that are less than the market basket. For every year since 1983, Congress has modified the increases and given substantially less than the increase in the market basket index. The Affordable Care Act provides for additional reductions to the market basket update, as well as other payment adjustments, in future years. There is, therefore, no assurance that future updates in MS-DRG payments will keep pace with the increases in providing inpatient hospital services.

Hospitals receive additional payment for cases that exceed MS-DRG-specific cost thresholds, referred to as "outlier payments". In addition, hospitals that satisfy specific program requirements may be eligible to receive additional revenue to defray the costs of organ procurement and treatments that use new technologies. With the exception of outlier cases, PPS payments are not adjusted for actual costs or variations in service or length of stay. The PPS amount and adjustments described above are calculated using formulae established by CMS that are revised periodically pursuant to federal budgetary policy. There is no assurance that MMC will be paid amounts that adequately reflect the actual cost of providing health care or the cost of the health care technologies available to patients.

Medicare also pays providers for inpatient psychiatric services on a PPS basis. Under that system, Medicare pays for the *per diem* routine, ancillary, and capital costs associated with those services. A base *per diem* payment is adjusted to account for differences in the cost of care related to patient characteristics (*e.g.*, age, diagnosis, and length of stay) and facility characteristics (*e.g.*, location and teaching status).

The Affordable Care Act also contains reductions in Medicare market basket updates and cuts in DSH payments for providing care to low income and uninsured patients. However, Congress has repeatedly delayed cuts to DSH payments. There is no certainty that Congress will continue to delay cuts in DSH payments in future years, so this is still an area of significant risk.

CMS has implemented a rule to change the methodology of Medicare DHS allotments according to a calculation using limited data from the Medicare Cost Report Worksheet S-10. The rule has caused MMC to experience payment reductions in connection with Medicare DSH allotments.

Beginning in 2013, Medicare inpatient payments to each hospital were reduced based on the dollar value of that hospital's percentage of preventable Medicare readmissions for certain medical conditions. In addition, as permitted by the Affordable Care Act, CMS expanded the conditions measured for the readmission rate penalties beginning in 2015 to include additional conditions.

Teaching hospitals receive adjustments to their Medicare IPPS payment rates for costs related to training physicians and other medical professionals (graduate medical education ("*GME*") payments), as well as for providing care to a high level of Medicaid and disabled patients (disproportionate share payments or DSH payments). There are two forms of payment for GME: Direct Graduate Medical Education ("*DGME*") and Indirect Medical Education ("*IME*") payments. DGME payments support the direct costs of training (e.g., resident stipends, supervision), while IME payments support the higher infrastructure relating to teaching, greater patient acuity and the extensive "stand-

by" capabilities of teaching hospitals. While a recommendation from The Medicare Payment Advisory Commission ("*MedPAC*") and a CMS proposed rule both have suggested reducing the level of IME adjustments, such reduction has not yet been implemented. There can be no assurance that payments to MMC for providing medical education will be adequate to cover the costs attributable to medical education programs for training residents, nurses and allied health professionals.

Hospital outpatient services also are paid by Medicare according to a prospective payment system for hospital outpatient services ("*OPPS*"). Under OPPS, most outpatient services are grouped into one of approximately 800 Ambulatory Patient Classifications and paid a uniform national payment amount adjusted for area wage differences and the average amount of resources required to provide the service (*e.g.*, visit, chest x-ray, surgical procedure). OPPS applies to most hospital outpatient services, other than ambulance and rehabilitation services, clinical diagnostic laboratory services, dialysis for end-stage renal disease, non-implantable durable medical equipment, prosthetic devices and orthotics. Hospitals can receive three additional payments in addition to the amount determined under the standard OPPS rule: pass-through payments for certain new technologies; outlier payments for unusually costly cases; and special payments to certain children's and cancer hospitals. Outpatient services not covered by OPPS are paid on the basis of fee schedules, the lower of costs or charges, or a blend of fee schedules and costs.

In 1986 Congress enacted the Emergency Medical Treatment and Active Labor Act ("*EMTALA*") in response to allegations of inappropriate hospital transfers of low-income and/or uninsured emergency patients. EMTALA imposes strict requirements on hospitals in the treatment and transfer of patients with emergency medical conditions.

If a hospital with 100 beds or more 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. 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. This is a complaint-driven process, so any patient or family member could allege an EMTALA violation. The statute of limitations for filing such a civil action is two years.

The Medicare payment rules are reviewed, and many of them are revised, annually based on recommendations from government advisory commissions, such as MedPAC, and other sources, including health care providers. MedPAC has encouraged CMS to reduce payments for hospital-based services to the levels paid for comparable services to freestanding independent facilities, which could lead to a decrease in Medicare payments received by MMC. In the future, continuing revisions to these rules may also lead to a decrease in Medicare payments received by MMC. The Medicare program has experienced frequent legislative, regulatory and administrative revisions in its payment methodologies and other provisions, many of which have sought to reduce the rate of increase in the cost of the program. It is likely that revisions will continue, some of which may adversely affect the Medicare payment which MMC receives.

In the 2014 Medicare inpatient prospective payment system final rule, CMS promulgated the two-midnight rule. Under this rule administrative contractors auditing the medical necessity of inpatient hospital admissions have been directed to consider admissions spanning less than two midnights to be, except in rare and unusual cases, outpatient cases.

Medicare Advantage

Medicare Advantage plans are alternate insurance products offered by private companies that engage in direct managed care risk contracting with the Medicare program. Under the Medicare Advantage program these private companies agree to accept a fixed, per-beneficiary payment from the Medicare program to cover all care that the beneficiary may require.

Future legislation or regulations may alter the financial incentives available to private insurers who offer Medicare Advantage plans. For example, on October 3, 2019, President Trump signed an Executive Order that will affect Medicare Advantage plans. Regulations will need to be developed to implement the Executive Order but the order sets out to provide beneficiaries with "*more diverse and affordable plan choices*" under the Medicare Advantage (MA) program. Depending on how the regulations affect Medicare Advantage plans, this might increase or decrease its popularity and level of acceptance among Medicare beneficiaries. The effect of such future legislation/regulation is unknown but could materially and adversely affect MMC.

Other Medicare Service Payments. Medicare payment for skilled nursing services, psychiatric services, inpatient rehabilitation services, general outpatient services and home health services are based on regulatory formulas or pre-determined rates. There is no guarantee that these rates, as they may change from time to time, will be adequate to cover the actual cost of providing these services to Medicare patients.

Payment of Hospital Capital Costs. Hospitals are paid on a fully prospective basis for capital costs (including depreciation and interest) related to the provision of inpatient services to Medicare beneficiaries. Thus, capital costs are paid exclusively on the basis of a standard federal rate (based upon average national costs of capital), subject to certain adjustments (such as for disproportionate share, indirect medical education and outlier cases) specific to the hospital.

There can be no assurance that the prospective payments for capital costs will continue under either Medicare or Medicaid, or that such payments will be sufficient to cover the actual capital-related costs of MMC allocable to Medicare patient stays, or that such payments will provide adequate flexibility in meeting MMC's future capital needs. New York State recently announced long-awaited capital awards as part of the DSRIP program (discussed further below). MMC received $11.2 million of capital awards under the DSRIP Capital Restructuring Financing Program. MMC will be providing a 1:1 match of the award.

Payment for Physician Services. Certain physician services are paid on a national fee schedule called the "resource-based-relative-value scale" ("*RB-RVS*"). The RB-RVS fee schedule establishes payment amounts for all physician services, including services of provider-based physicians, and is subject to annual updates. The Sustainable Growth Rate formula ("*SGR*"), which is a limit on the growth of Medicare payments for physician services, was enacted in 1997 and linked to changes in the U.S. Gross Domestic Product over a ten-year period. Every year since 2003, Congress provided temporary relief from scheduled "negative" updates that would have reduced physician payments. In April 2015, Congress passed and President Obama signed the Medicare Access and CHIP Reauthorization Act of 2015, which permanently repealed the SGR. As a result, payments under the Medicare physician fee schedule for services rendered on or after April 1, 2015 will not be cut by approximately 20%, as would have been required absent legislative action. Instead, current payment rates will increase by 0.5% through 2019 and then remain constant from 2020 through 2025. Beginning in 2019, physicians are now required to choose between two different Medicare payment options. Under the Merit-Based Incentive Payment System ("*MIPS*"), physicians are subject to payment adjustments of +/- 4% in 2019, growing to +/- 9% in 2022 and beyond, based on their performance against certain quality metrics that have yet to be defined by CMS. High-performing physicians will be eligible to receive bonus payments under MIPS. Physicians participating in Alternative Payment Models ("*APMs*"), which will also be defined later by CMS, can elect to be exempted from MIPS and will receive a 5% annual bonus for participation between 2019 and 2024. Beginning in 2026, physicians participating in APMs will be eligible for annual payment updates of 1.0%, with all other physicians receiving updates of 0.5%.

Medicare Trust Funds. Two trust funds are maintained as part of the Medicare Program. Hospital Insurance ("*HI*") or Medicare Part A, helps to pay for hospital, home health, skilled nursing facility, and hospice care for the aged and disabled (including certain individuals with end stage renal disease) and is financed primarily by payroll taxes paid by workers and employers. Supplementary Medical Insurance ("*SMI*") consists of Medicare Part B and Part D. Part B helps pay for physician, outpatient, and other services for the aged and disabled who have voluntarily enrolled. Part D initially provided access to prescription drug discount cards and transitional assistance to low-income beneficiaries. In 2006 and later, Part D provides subsidized access to drug insurance coverage on a voluntary basis for beneficiaries.

The Medicare Board of Trustees annual report to Congress in April 2019 (the "*Medicare Annual Report*") indicated that the HI Trust Fund is not adequately financed and is projected to be exhausted in 2026, the same year as projected in the prior year report. The other trust fund and various other components of the Medicare Program also have significant funding challenges. The trustees recommended that Congress and the executive branch work closely together with a sense of urgency to address the depletion of the HI Trust Fund and projected growth in hospitals and other expenditures. Accordingly, it is likely that statutory and regulatory attempts to contain increases in Medicare costs will continue in the future.

Sites of Service. Federal, state, and private payers of health care costs have increasingly sought to have providers perform services in the least costly setting and to pay similar rates for similar services performed in different settings. For example, beginning in January 2018 CMS removed restrictions limiting payment for total knee replacements to the inpatient setting. On the other hand, in January 2017, CMS began paying outpatient departments that were not located on the same campus as their affiliate inpatient hospital at a lower Physician Fee Schedule rate,

rather than a higher Outpatient Prospective Payment System rate. These and other similar efforts, changes, and regulations now and in the future may have a material adverse effect on MMC's revenues.

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 New York State's attempt to address its own budgetary needs have also resulted in uncertainty with respect to Medicaid spending. Further, federal legislative efforts to cap Medicaid spending have been debated in Congress. Such decreases in spending could have a material adverse impact on the future financial condition of MMC.

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.

Under provisions of the Affordable Care Act, the combinations of health insurance exchanges, increased employer insurance coverage requirements and Medicaid expansions have resulted in decreases in the number of uninsured patients. The increase in insured patients could result in lower levels of bad debt and increased utilization or profitable shifts in utilization patterns for hospitals generally.

New York State, which has established its own exchange and participated in the Medicaid expansion, announced in October 2019 that approximately one million people have enrolled since the Marketplace opened in 2013 and the number of uninsured has decreased by 1.2 million since 2010. However, given the risks in the current political climate it remains unclear whether these gains can be sustained and how that will impact MMC.

Audits and Withholds

Participating providers are subject to audits and retroactive audit adjustments with respect to the Medicare and Medicaid programs. Such adjustments could exceed reserves and could be substantial. Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. Any withholds that may occur could have a material adverse impact on the future financial condition of MMC. Management of MMC is not aware of audits or any material payment withhold by either Medicare or Medicaid.

Compliance and Payment

Hospitals must comply with standards called "Conditions of Participation" to be eligible for Medicare and Medicaid payments. CMS is responsible for ensuring that hospitals meet these regulatory Conditions of Participation. Under applicable Medicaid rules, hospitals accredited by The Joint Commission are deemed to meet the Conditions of Participation, subject to CMS's requirement that hospitals satisfy reenrollment criteria as required by CMS. Failure to maintain The Joint Commission accreditation or to otherwise comply with the Conditions of Participation or other applicable state licensing requirements could have a material adverse effect on the revenues of MMC.

Private Health Plans and Insurers

Certain private insurance companies contract with hospitals on an "exclusive" or a "preferred" provider basis, and some insurers have plans known as "preferred provider organizations" ("*PPOs*"). Under such plans, there may be financial incentives for subscribers to use only those hospitals which contract with the plans. Under an exclusive provider plan, which includes most HMOs, private payors limit coverage to those services provided by selected hospitals within the provider plan. With this contracting authority, private payors may direct patients away from nonselected hospitals by denying coverage for services provided by them. In addition, PPOs and HMOs may limit the participation of a provider.

For the fiscal year ended December 31, 2018, payments from commercial insurers (including Blue Cross) represented approximately 57.8% of MMC's net patient service revenues. Such programs individually negotiate

payment terms with MMC, which terms include discounted fee-for-service payments or discounted fixed rate per day/case of care payments. There also are additional provisions for bonuses if MMC meets certain criteria. There is no assurance that MMC's exposure to such contracts or arrangements will not increase in the future. Increased participation may maintain or increase the patient base, but the discounts offered to HMOs and PPOs may result in reduced payments and lower net revenue to MMC.

Some HMOs are now offering or mandating 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 capitated payment system, the health care provider assumes an insurance type risk for the cost and scope of care given to the HMO's enrollees. If payment under an HMO or PPO contract is insufficient to meet the provider's costs of care, the financial condition of the provider may erode rapidly and significantly. Often, HMO or PPO contracts are enforceable for a stated term, regardless of provider losses. Recently, certain HMOs and PPOs have experienced financial difficulties, and some have resorted to bankruptcy proceedings. It is not possible, at this time, to predict the future of the managed care industry in general in relation to specific HMOs or PPOs with which MMC contracts.

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. In recent years, both the federal and state governments have increased enforcement of laws designed to combat health care fraud and practices that the governments regard as abusive, and additional fraud legislation has been adopted at both federal and state levels. Under the federal Medicare Medicaid Fraud and Abuse Amendments of 1977 to the Social Security Act, as amended (the "*Anti-Kickback Law*"), it is a felony to knowingly and willfully offer, pay, solicit or receive any remuneration (including any kickback, bribe or rebate) directly or indirectly, overtly or covertly, in cash or in kind in order to induce business for which payment is provided, in whole or in part, under a federal health care program, including Medicare and Medicaid. Penalties for each violation of the Anti-Kickback Law include criminal fines and civil monetary penalties. The Affordable Care Act amended the Anti-Kickback Law to provide that a claim that includes items or services resulting from a violation of the Anti-Kickback Law now constitutes a false or fraudulent claim for purposes of the False Claims Act. The Anti-Kickback Law has been further amended to provide that a violation may be established without showing that an individual knew of the statute's proscriptions or acted with specific intent to violate the Anti-Kickback Law, but only that the conduct was generally unlawful. Violation of the Anti-Kickback Law is a felony, subject to a maximum fine of $100,000 for each criminal act, imprisonment for up to five years and exclusion from the Medicare and Medicaid programs. The Office of Inspector General of Department of Health and Human Services (the "*OIG*"), the enforcement arm of the DHHS, can also initiate an administrative exclusion of a provider from the Medicare and Medicaid programs. In addition, civil monetary penalties of $100,000 for each violation of the Anti-Kickback Law or damages equal to three times the amount of prohibited remuneration may be imposed and violation of this law also renders the violator civilly liable under the False Claims Act. The statute does include some exceptions, and federal regulations establish numerous "safe harbors." Arrangements that meet the safe harbor requirements are deemed not to be violations of the Anti-Kickback Law. Failure to comply with the safe harbors, however, does not mean that the

activity violates the law. Arrangements that fail to qualify for safe harbor protection may or may not violate the Anti-Kickback Law depending on the facts and the intent of the parties.

The scope of the Anti-Kickback Law prohibition is, however, broadly drafted and liberally interpreted by some federal regulators and enforcement authorities. Thus, the Anti-Kickback Law may create liability in connection with a wide range of economic arrangements involving managed care entities, hospitals, physicians and other health care providers, including joint ventures, space and equipment rentals, purchases of physician practices, managed care arrangements, and management and personal services contracts.

On October 9, 2019, the DHHS issued two proposals that update and clarify regulations on the Physician Self-Referral Law (known as the Stark Law) and the Federal Anti-Kickback Statute. According to HHS, they seek to provide more certainty to providers in value-based arrangements and improve coordinated care for patients. Final regulations will not be issued until 2020, so the effects of the proposal cannot be determined at this time.

In the Health Insurance Portability and Accountability Act of 1996 ("*HIPAA*"), Congress established a fraud and abuse control program to coordinate federal, state and local health care fraud and abuse activities. HIPAA also creates several new federal health care crimes, many of which are broadly worded and potentially applicable to a wide range of conduct. For example, HIPAA created a general prohibition on knowingly and willfully executing or attempting to execute schemes to defraud any public or private health care benefit program or making any false or fraudulent representations in any matter involving any private or public health care program.

Several federal statutes, including the Social Security Act, the Program Fraud Civil Remedies Act of 1986 and the Federal False Claims Act (the "*FCA*") (which is discussed in more detail below), 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. In addition, because MMC has various relationships with parties located in foreign jurisdictions, MMC is subject to certain laws applicable to businesses generally, including the Foreign Corrupt Practices Act and other anti-corruption laws. If MMC fails to comply with these or other applicable laws and regulations, it could be subject to penalties or other adverse consequences.

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. Based on its internal processes, MMC believes that it is in material compliance with the above referenced statutes; however, there can be no assurance that enforcement authorities would agree

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

The New York Health Care Practitioner Referral Law (the "*State Provisions*") is similar to the Stark Law; however, it covers all patients (irrespective of payor) and prohibits practitioners from referring a patient to a 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.

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 MMC.

CMS provides waivers of certain fraud and abuse laws as necessary for purposes of testing payment and service delivery models, including those implemented through certain ACOs.

MMC has and may have in the future various relationships with physicians that may be characterized as financial arrangements under the Stark Law and/or the State self-referral statute. 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 MMC's operations or financial results.

The False Claims Act. The criminal False Claims Act ("*criminal FCA*") makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and/or a fine. The civil False Claims Act ("*civil FCA*"), one of the government's primary weapons against health care fraud. Under the civil FCA, those who knowingly submit, or cause another person or entity to submit, false claims for payment of government funds are liable for three times the government's damages plus civil penalties of $5,500 to $11,000 per civil FCA false claim. Effective for penalties assessed effective February 1, 2019, these penalties increased to $11,463 (minimum) to $22,927 (maximum) per claim. As of August 1, 2016, the civil FCA penalties are indexed for inflation based on the Bureau of Labor Statistics' Consumer Price Index. The civil FCA also permits individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government. The Affordable Care Act expanded the activities that are violations of the civil FCA, including, among other actions, failure to report and return to a federal health care program a known overpayment within 60 days of having identified the overpayment or, for cost-reporting entities, the date (if later) on which a hospital cost report is due.

Under the civil FCA, health care providers may be liable if they take steps to obtain improper payments from the government by submitting false claims. Civil FCA violations have been alleged solely on the basis of alleged kickbacks or self-referrals or other conduct not in full compliance with applicable legal and regulatory standards. It is impossible to predict with certainty whether courts will uniformly hold that regulatory non-compliance and anti-kickback or self-referral violations are subject to prosecutions as false claims. If a provider, is faced with a civil FCA prosecution based on one of these theories, however, allocation of the funds required to contest or settle the matter could have a material adverse impact on that provider.

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

Health care providers may be found liable under the CMPA even when they did not have actual knowledge of the impropriety of their action. Knowingly undertaking the action is sufficient. Ignorance of the Medicare regulations is no defense. The imposition of civil money penalties on MMC if it were found to be in violation of CMPA could have a material adverse impact on MMC's financial condition. The Affordable Care Act also amended the CMPA laws to establish various new grounds for exclusion and civil monetary penalties, as well as increased penalty thresholds for existing civil monetary penalties.

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

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

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties are in four tiers, the highest of which would impose a fine of $50,000 per violation and up to $1,500,000 for all such violations of an identical requirement or prohibition during a calendar year. A civil monetary penalty is not imposed if the violation was due to reasonable cause and was corrected within 30 days.

The HITECH Act. Provisions in the 2009 Health Information Technology for Economic and Clinical Health Act (the "*HITECH Act*"), enacted as part of the economic stimulus legislation, increase the maximum civil monetary penalties for violations of HIPAA and grant enforcement authority of HIPAA to state attorneys general. The HITECH Act also (1) extends the reach of HIPAA beyond "covered entities," (2) imposes a breach notification requirement on HIPAA-covered entities, (3) limits certain uses and disclosures of individually identifiable health information and (4) restricts covered entities' marketing communications.

The HITECH Act also established programs under Medicare and Medicaid to provide incentive payments for the "meaningful use" of certified electronic health record ("*HER*") technology. The Medicare and Medicaid EHR incentive programs provide incentive payments to eligible professionals and eligible hospitals for demonstrating meaningful use of certified EHR technology. Health care providers demonstrate their meaningful use of EHR technology by meeting objectives specified by CMS for using health information technology and by reporting on specified clinical quality measures.

The Office for Civil Rights of HHS ("*OCR*") is putting increased emphasis on enforcement. OCR has entered into a number of highly publicized, high value settlements with HIPAA-covered entities stemming from alleged violations of HIPAA. The settlements are also noteworthy because they indicate that OCR is interested in enforcing violations of the HIPAA Security Rule, not just the HIPAA Privacy Rule. There have also been additional cases where state attorneys general, exercising the powers given them under the HITECH Act, have brought actions against covered entities for alleged HIPAA violations seeking significant penalties.

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 paid under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, felony fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. DHHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. The New York State Office of the Medicaid Inspector

General also has the authority to exclude individuals and entities from participation in Medicaid. Providers are excluded for reasons that may include program-related convictions, patient abuse or neglect convictions, and licensing board disciplinary actions. The ACA authorizes the Secretary of DHHS to exclude a provider from participation in Medicare and Medicaid, as well as to suspend payments to a provider pending an investigation or prosecution of a credible allegation of fraud against the provider. Exclusion of MMC from governmental program participation could have a material, adverse effect on MMC.

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, MMC 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 MMC.

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, MMC could experience materially adverse settlement and/or litigation costs. Prolonged and publicized investigations could be damaging to the reputation, business and credit of MMC, regardless of the outcome, and could have material adverse consequences on the financial condition of MMC. 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.

Increased Enforcement Affecting Academic Research In addition to increasing enforcement of laws governing payments to hospitals, the federal government has also increased enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS elevated and strengthened its Office of Human Research Protection, one of the agencies with responsibility for monitoring federally funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The United States Food and Drug Administration ("*FDA*") also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. MMC is subject to complex and ambiguous coverage principles and rules governing billing for items or services it provides to patients participating in clinical trials funded by governmental agencies and private sponsors, as well as complex rules related to the actual administration of these clinical trials, including those related to the protection of human research subjects. These agencies' enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs, and errors in the billing of Medicare for care provided to patients enrolled in clinical trials that are not eligible for Medicare payment can subject MMC to sanctions as well as repayment obligations. Additionally, MMC may suffer adverse consequences for enforcement actions taken against research collaborators at other institutions both in the United States and abroad, any of which could have a material adverse impact on MMC's finances.

Outside of enforcement actions at the federal, state, and local levels, MMC may be bound to particular research protocols, deliverables, timetables, and other restrictions in contracts with entities with whom MMC is partnering to conduct research. Such entities may include pharmaceutical companies, other academic research institutions, or other not-for-profit or for-profit corporations located in the United States or abroad. Failure or alleged failure to adhere to these provisions could result in reduced reimbursement from such research partners, litigation to resolve contractual and other disputes, or reputational harm to MMC, among other potential consequences, any of which could have a material adverse financial impact on MMC.

Corporate Compliance. The Office of Inspector General ("*OIG*") has published guidelines urging hospitals to adopt and implement effective programs to promote compliance with applicable federal and state law and the program requirements of federal, state, and private health plans. Compliance with the guidance is voluntary but is nevertheless an important factor in controlling risk because the OIG will consider the existence of an effective compliance program that pre-dated any governmental investigation when addressing the appropriateness of administrative penalties.

MMC has adopted and implemented a voluntary corporate compliance program ("*Compliance Plan*"). 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. However, the presence of a compliance program is not an assurance that health care providers will not be investigated by one or more federal or state agencies that enforce health care fraud and abuse laws or that they will not be required to make repayments to various health care insurers (including the Medicare and/or Medicaid programs).

It is possible that the Compliance Plan may bring to the attention of MMC 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.

New York also requires hospitals to have an effective compliance program. The compliance program must include, among other things, a chief compliance officer, written policies and the conduct of audits after the identification of risk areas. It is expected that the Office of the Medicaid Inspector General will conduct audits of compliance programs and assess their effectiveness.

HIPAA – Administrative Simplification. In addition to provisions governing the portability of health insurance and health care fraud, HIPAA includes administrative simplification provisions ("*AS Provisions*") intended to reduce costs and administrative burdens in the health care industry by standardizing the electronic transmission of many administrative and financial transactions that currently are carried out manually on paper or in many different electronic formats. The AS Provisions also impose privacy and security requirements on entities covered by HIPAA ("*Covered Entities*") as well as mandate other standards such as national identifiers. Covered Entities are health plans; health care clearinghouses; and health care providers, such as MMC, that engage in covered transactions. Additionally, Covered Entities must enter into contracts with their business associates with whom they share protected health information to assure that such information is appropriately safeguarded and that other HIPAA requirements are met.

Under the final transaction and code set regulations promulgated by DHHS, Covered Entities must use the prescribed standards for designated electronic transactions. The final HIPAA privacy regulations impose requirements on the use and disclosure of protected health information, create individual rights, and mandate certain administrative requirements for Covered Entities. Covered Entities were expected to be in compliance with the privacy regulations. Additionally, security regulations require Covered Entities to assess risks and develop and implement appropriate security measures to protect individually identifiable health information, with particular focus on administrative procedures, physical safeguards, technical security services, and technical security mechanisms. Covered Entities such as MMC must comply with the security regulations as well.

Penalties for noncompliance with the AS Provisions include civil monetary penalties of up to $100 for any violation not to exceed $25,000 in any calendar year for identical violations. Criminal penalties include up to $50,000 in fines and/or one year imprisonment for wrongful disclosure of individually identifiable health information; $100,000 and/or imprisonment of not more than five years for wrongful disclosure under false pretenses; and up to $250,000 and/or 10 years imprisonment for wrongful disclosure with the intent to sell, transfer, or use individually identifiable health information for commercial advantage, personal gain, or malicious harm.

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.

Environmental Laws Affecting Health Care Facilities. Hospitals and other health care facilities 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. Among

the types of regulatory requirements faced by hospitals are: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos, hospital, medical and infectious waste, polychlorinated biphenyls, and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital; requirements for worker safety and training employees in the proper handling and management of hazardous materials and waste; and other requirements. In their role as owners and 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 health care operations include, in various combinations, the handling, use, storage, transportation, disposal and discharge of infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. For this reason, health care facility 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 or increase their costs or both; may result in legal liability, damages, injunctions or fines, or may trigger investigations, administrative proceedings, penalties or other government agency actions.

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, employee compensation and joint venture, merger, affiliation and acquisition activities. In some respects, the application of federal and state antitrust laws to health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. At various times, health care providers may be subject to an investigation by a governmental agency charged with the enforcement of the antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. Violation of the antitrust laws could be subject to criminal or civil enforcement by federal and state agencies, as well as by private litigants. Among the remedies available against persons found liable of violating antitrust prohibitions are treble damages and payment of plaintiff's attorney fees, both of which may be significant.

From time to time, MMC is or will be involved in a variety of activities which could receive scrutiny under the antitrust laws, and it cannot be predicted when or to what extent liability may arise. With respect to payor contracting, MMC may, from time to time, be involved in joint contracting activity with other hospitals or providers. The precise degree to which this or similar joint contracting activities may expose the participants to antitrust risk from governmental or private sources is dependent on a myriad of factual matters which may change from time to time.

Hospitals, including MMC, regularly have disputes regarding credentialing and peer review, and may be subject to liability in this area. In addition, hospitals occasionally indemnify medical staff members who are involved in such credentialing or peer review activities, and may also be liable with respect to such indemnity. Court decisions have also established private causes of action against hospitals which use their local market power to promote ancillary health care businesses in which they have an interest. Such activities may result in monetary liability for the participating hospitals under certain circumstances where a competitor suffers business damage.

Charity Care

Tax exempt hospitals often treat large numbers of low-income and/or underinsured patients who are unable to pay in full for their medical care. These hospitals may be susceptible to economic and political changes that could increase the number of low-income and/or underinsured patients or their responsibility for caring for this population. 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 charity care treatment 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 charity 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 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.

Licensing, Surveys, Investigations and Audits

On a regular basis, health facilities, including those of MMC, 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 MMC. 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 MMC's scope of licensure, certification, or accreditation, or could reduce the payment received or require repayment of amounts previously remitted.

Employment and Labor Issues

As with all large employers, MMC bears a wide variety of risks in connection with its employees. These risks include strikes and other related work actions, contract disputes, difficulties in recruitment, discrimination claims, wage and hour 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. Management of MMC believes that MMC's 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 MMC.

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. A further factor is that competition for physicians has intensified in recent years, with frequent recruitment efforts by hospitals both locally and nationally to attract physicians away from competing hospitals in order to bolster admissions and profitability attributable to the patients such physicians frequently bring with them or are able to attract. These factors are expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital specific shortages. To the extent that MMC is unable to maintain adequate staff levels, utilization and, thus, financial performance may be adversely affected.

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

Competition

Competition from other hospitals may adversely affect revenues. In New York, hospital systems continue to consolidate, increasing competitive pressures on acute care hospitals, including MMC. Development of health maintenance and other alternative delivery programs and future medical and scientific advances could result in decreased usage of MMC's facilities. MMC further faces and will continue to face increased competition from other hospitals, integrated delivery systems, ambulatory care providers, rehabilitation facilities, urgent care centers, drug stores and other retail businesses offering health care services, freestanding independent diagnostic treatment facilities and increasingly sophisticated physician group practices, among others that offer similar health care services as well as expanded preventive medicine treatment.

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

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 MMC if determined or settled adversely.

Many hospitals and health care providers have experienced 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, Blue Cross and Blue Shield, and other 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. MMC has been affected by the impact of such rising costs, and there can be no assurance that MMC would not be similarly affected by the impact of additional unreimbursed costs in the future.

Construction and Project Risk

Uncontrollable delays are common in the construction industry. Such delays caused by, for example, strikes, weather, other environmental factors, lack of regulatory approvals (including required certificates of need) or unavailability of materials, may delay completion of projects undertaken by MMC, result in cost overruns or even prevent completion of any such projects.

Affiliation, Merger, Acquisition and Divestiture

As part of its on-going planning process, MMC will continue to consider the potential acquisition of operations or properties which may become affiliated with or become part of the Obligated Group in the future, as well as the potential disposition of certain existing Obligated Group operations or properties. As a result, it is possible that the organizations and assets which currently make up the Obligated Group may change from time to time, subject to the provisions in the Master Indenture and other financing documents which apply to merger, sale, disposition or purchase of assets, or with respect to joining or withdrawing from the Obligated Group.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2020A 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 Obligated Group's capabilities and the financial conditions and results of operations of the Obligated Group.

State Budget

In January 2011, Governor Andrew M. Cuomo issued Executive Order No. 5 creating the Medicaid Redesign Team and setting in motion a process of substantial reform of New York's Medicaid program. State budgets in subsequent years included additional recommendations, such as expanding managed care plan services and integrating physical and behavior health services. The 2019-2020 budget in particular, included reductions in payment for long-term care services and funding for efforts to reduce health care utilization.

Since the 2011-12 budget, each of the budgets assumes a targeted growth rate for Medicaid equal to the ten-year average change in the medical component of the Consumer Price Index ("*CPI*") (currently at 3%) and grant DOH and the State Department of Budget authority to hold Medicaid spending to this rate. If spending is projected to exceed the budget cap, DOH and the State Division of the Budget are authorized to develop and implement a plan of action to bring spending in line with the cap, which could include modifying or reducing payment methods or program benefits. The global spending cap has increased from $15.9 billion for the 2012-2013 Final Budget to $20.8 billion for the 2018-2019 Final Budget and was $19.4 billion for the 2019-2020 Final Budget. Between fiscal years 2015 and 2018, to ensure compliance with the cap, DOH managed the timing of payments across State fiscal years that ranged from $50 million to approximately $435 million. To avoid surpassing the cap in fiscal year 2019, DOH deferred $1.7 billion in Medicaid payments to Medicaid Managed Care Organizations, as well as other payments, from fiscal year 2019 to fiscal year 2020. Various factors, including higher-than-average Medicaid enrollment, threaten the ability of DOH to continue to meet the ambitious savings goals in future years. Additionally, state lawmakers may at any time legislate to raise or lower these spending caps or to otherwise adjust Medicaid payment rates, which could have a material positive or negative effects on MMC's finances that are not possible to predict. Currently, projections show that New York State is trending to be over the spending cap.

Although recent budgets contain the statutory tools necessary to implement the recommendations of the Medicaid Redesign Team, there can be no assurance that these proposals will achieve the level of gap-closing savings anticipated or limit the rate of annual growth in DOH State Funds Medicaid spending. In addition, many of the cost-saving initiatives are dependent upon timely federal approvals, appropriate amendments to existing systems and processes and a collaborative working relationship within the health care industry stakeholders.

New York State officials estimate that the State's share of Medicaid spending is $4 billion over budget this fiscal year, including the $1.7 billion in Medicaid costs held over from the previous fiscal year's budget. In light of this, in his recent State of the State address Governor Cuomo called for a further restructuring of the Medicaid system. More details on proposed Medicaid changes are expected when Governor Cuomo reveals his budget later in January 2020. On December 31, 2019, the Cuomo Administration announced a 1% cut in Medicaid payments affecting hospitals and other providers. Governor Cuomo recently released his 2021 executive budget proposal, which calls for reconvening a Medicaid Redesign Team to identify $2.5 billion in savings. Under the Governor's proposal, the State would no longer cover costs over budget by 3%. This could materially impact providers in New York City.

The effect of the Medicaid redesign process on MMC will depend significantly on participation in new models of integrated care delivery, the ability to collaborate with different types of providers and relationships with Medicaid managed care plans, as those plans will play an increasingly larger role over the next several years. There can be no assurance that the anticipated gap-closing savings will be achieved or that the rate of annual growth in DOH 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.

Medicaid 1115 Waiver Amendment

In 2014, the New York State's Section 1115 Partnership Plan was amended to allow the State to reinvest over a five-year period up to $8 billion of the $17.1 billion in federal savings generated by State Medicaid reforms. Up to $6.42 billion of this amount is to be applied to the Delivery System Reform Incentive Payment ("*DSRIP*") Program, which has a goal of reducing avoidable Medicaid hospitalizations by 25% by 2020. The current 1115 waiver will expire in 2020. In November, New York State submitted a four-year, $8 billion Waiver amendment seeking a one-year extension to the current DSRIP initiative and a three-year renewal through March 31, 2024. If approved, the extension would provide new funding to further support clinical transformation efforts focused to the Medicaid populations associated to 25 Performing Provider Systems (PPS). New funding under the renewal would also allow continued investments in programs focused on: improving quality outcomes, enhancing workforce development, addressing social determinants of health, increasing community-based clinical network development and promoting

the shift to value-based care through the creation of new Value Management Organizations. Since proposed Waiver amendment is subject to review and modification by CMS and requires federal approval before it can be implemented, the potential impact on a positive or negative basis cannot be determined at this time.

New York State Executive Order 38

On January 18, 2012, Governor Cuomo signed Executive Order No. 38 (the "*Executive Order*") limiting spending for administrative costs and executive compensation at state-funded service providers. MMC may be subject to the limitations contained in the Executive Order. 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 directed to direct care or services, rather than administrative costs. On May 30, 2012, NYSDOH published proposed regulations to implement the Executive Order, effective January 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.

Realization of Value on the Mortgaged Property

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

The Mortgaged Property is not comprised of general purpose buildings and would not generally be suitable for industrial or commercial use and does not constitute all facilities of MMC. Consequently, it would be difficult to find a buyer or lessee for the Mortgaged Property if it were necessary to foreclose on the Mortgaged Property. Thus, upon any default, it may not be possible to realize funds in an amount equal to the outstanding interest on and principal of the Obligations issued under the Master Trust Indenture from a sale or a lease of the Mortgaged Property.

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. MMC is not granting a lien on equipment or furnishings at 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 2020A Bonds.

Enforceability of Remedies

Obligation No. 5 is secured by a mortgage lien on the Mortgaged Property of MMC and a security interest in the Gross Receivables of MMC. The practical realization of money from the Obligated Group upon any default will depend upon the exercise of various remedies specified by 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 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 2020A 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 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 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 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 health care or related services previously provided by MMC 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 Obligation No. 5) and the occurrence of an event of default under any Related Bond Indenture. The Master Indenture provides that upon an "Event of Default" thereunder, the Master Trustee may in its discretion, declare the principal of 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. Consequently, upon the occurrence of an "Event of Default" with respect to the Series 2020A Bonds and an acceleration of the maturity of the Series 2020A Bonds, the Master Trustee may not be required to accelerate all Obligations Outstanding under the Master Indenture.

The Bond Insurer

In the event MMC fails to make regularly scheduled payments of the principal of and interest on any Insured Bonds when the same become due, the Bond Trustee on behalf of the owners of such Insured 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 Insured Bonds. Moreover, the Policy does not insure the principal of or interest on the Insured 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 Insured Bonds.

So long as the Insured Bonds are Outstanding and the Bond Insurer is not in default under the Policy, the Bond Insurer shall be deemed the owner of the Insured Bonds for purposes of all actions under the Resolution which require or permit the consent, direction or request of the owners of the Insured Bonds. Under no circumstances can the Insured 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 Trustee exercises under the Resolution with respect to the Insured Bonds.

In the event that the Bond Insurer is unable to make payments of principal and interest on the Insured Bonds as such payments become due, such Bonds will be payable solely from moneys received by the Bond Trustee pursuant to the Resolution and the Master Indenture. See "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS – Bond Insurance**" herein for further information concerning the Bond Insurer and the Policy.

The insured ratings on the Insured 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 Insured 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.

Matters Related to Mortgaged Property and Title Insurance

The Mortgaged Property is pledged as security for the Obligations pursuant to the Master Indenture. Such Mortgaged Property represents only the primary patient care and parking facilities of one of several health care campuses of the Obligated Group and as a result, upon any default and foreclosure, the Master Trustee will likely not obtain an amount equal to the amount of outstanding Obligations from the sale or lease of such Mortgaged Property.

The Mortgaged Property is not currently suitable for general industrial or commercial use, and a proposed change in the current use would require the consent of governmental authorities. In addition, in order to continue to operate the Mortgaged Property as a health care facility, a potential purchaser or lessee operator would have to obtain approval from the necessary governmental authorities and secure licenses to operate such facilities. The foregoing requirements may render it difficult to find a purchaser for the Mortgaged Property and as a result, it may not be possible, following an event of default, to realize any value in a foreclosure or other disposition of the Mortgaged Property.

In 2018, MMC delivered to the Master Trustee a title insurance policy in the face amount of $10,000,000 with respect to one of the 2018 Mortgages. The principal amount of all Outstanding Obligations, in the aggregate, is greater than the face amount of title insurance policy, and the title policy will remain in place only so long as the insured mortgage remains in place. Once the Series 2018 Bonds are paid in full, either at the last maturity date for such bonds or their earlier redemption, the insured mortgage will be satisfied and no long in effect. The title insurance policy is in an amount significantly less than both the aggregate amount of the Obligations and the value of the Mortgaged Property. Losses caused by a defect in title, unmarketability of title, statutory liens, unenforceability of the mortgage lien, priority of the Mortgage or other matters covered by the title insurance policy will result in a recovery, if any, not greater than the amount of the policy.

Bankruptcy

The rights and remedies of the holders of the Series 2020A Bonds are subject to various provisions of Title 11 of the United States Code (the "*Bankruptcy Code*"). If MMC 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 MMC and its property. MMC would not be permitted or required to make payments of principal or interest

under 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 Bond Trustee from applying amounts on deposit in certain funds and accounts held under the Resolution from being applied in accordance with the provisions of the Resolution, and the application of such amounts to the payment of principal and interest on, the Series 2020A Bonds. Moreover, any motion for an order canceling the automatic stay and permitting such funds and accounts to be applied in accordance with the provisions of the Resolution would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of such Member of the Obligated Group, which could affect the likelihood or timing of obtaining such relief. The automatic stay may also adversely affect the ability of the Master Trustee under to exercise remedies upon default, including the acceleration of all amounts payable by MMC, the Master Indenture, and may adversely affect the Master Trustee's or the Bond Trustee's ability to take all steps necessary to file a claim under the applicable documents on a timely basis.

MMC 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 MMC 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.

In the event of bankruptcy of MMC, transfers of property by the bankrupt entity, including the payment of debt 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 revenues meet expenses of MMC before paying debt service on the Series 2020A Bonds.

Considerations Relating to Other Indebtedness

The Master Indenture permits MMC and any future Member of the Obligated Group to incur additional indebtedness subject to compliance with provisions of the Master Indenture. See "**Form of Master Indenture – Limitation on Indebtedness**" in "**APPENDIX F**" hereto. Furthermore, MMC has indebtedness now outstanding that is not secured by the Master Indenture. See "**Audited Consolidated Financial Statements of Montefiore Medical Center as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-1**" hereto. Any additional indebtedness could increase the Obligated Group's debt service and repayment requirements and may adversely affect debt service coverage on the Series 2020A Bonds.

Security Breaches and Unauthorized Releases of Personal Information

State and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states, including New York State, have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes MMC to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage MMC's reputation and materially adversely affect business operations. MMC maintains a network security system designed to stop security breaches by third parties, and minimize its impact on operations; however, no assurances can be given that such network security systems will be completely successful.

Like many other large organizations, MMC relies on digital technologies to conduct its customary operations. In the past several years, a number of entities have sought to gain unauthorized access to digital systems of large organizations for the purposes of misappropriating assets or information or causing operational disruption. These attempts include highly sophisticated efforts to electronically circumvent network security as well as more traditional

intelligence gathering and social engineering aimed at obtaining information necessary to gain access. MMC maintains a network security system designed to stop "security breaches" by third parties, and minimize its impact on operations; however, no assurances can be given that such network security systems will be completely successful.

General Data Protection Regulation and Other Privacy Laws

The General Data Protection Regulation ("*GDPR*"), which became fully enforceable throughout the European Union in May 2018, imposes significant new obligations and financial consequences on organizations that control or process relevant personal information. Under GDPR Article 6, a data controller requires a legal basis for each activity involving the processing of personal data. Moreover, if the personal data involve "special categories" of personal data, such as data concerning health, genetic data, and data concerning race/ethnicity, the processing must also satisfy an exception under GDPR Article 9. To the extent MMC offers services to individuals who reside in the European Union, markets services to individuals who reside in the European Union, or receives data from or sends data to the European Union, MMC may incur costs to implement the GDPR and may be liable for fines and other sanctions under the GDPR. Since regulations and guidance documents implementing the GDPR are still developing, MMC cannot predict the extent of or the financial impact of the GDPR at the present time.

Other countries currently have and may further refine, wholly revise, or newly enact privacy laws with similar, lesser, or greater protections, scope, and reach than the GDPR. To the extent MMC markets towards, provides care to, or exchanges data with individuals and entities in those countries, MMC may become liable under those privacy laws. MMC cannot predict the extent of or the financial impact of such liability at the present time.

Other Risk Factors

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

- Adoption of proposed legislation in New York State that would set nurse-to-patient ratios by unit.

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

- Increased unemployment or other economic conditions in the service area of MMC, which could increase the proportion of patients who are unable to pay fully for the cost of their care.

- Competition in MMC's service area could increase from alternative modes of care, including life care, assisted living facilities, and home care.

- Efforts by insurers and governmental agencies to limit the cost of hospital and physician services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or attempts by third-party payors to control or restrict the operations of certain health care facilities.

- Reduced demand for the services of MMC that might result from decreases in population or innovations in technology.

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

- The occurrence of a natural or man-made disaster, including but not limited to acts of terrorists, that could damage the facilities of MMC, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair the operations and the generation of revenues from MMC's facilities.

- Adoption of a so-called "flat" Federal income tax, a reduction in the marginal rates of Federal income taxation or replacement of the Federal income tax with another form of taxation, any of which might adversely affect the level of charitable donations to MMC.

- Increases in cost and limitations in the availability of any insurance, such as fire, and/or business interruption, automobile and comprehensive general liability, that MMC generally carries.

- Developments affecting the Federal or state tax-exempt status of not-for-profit hospitals.

- Technical issues and delays associated with development and implementation of information technology systems to support critical clinical and financial operations, including Epic.

- Termination, non-renewal or renegotiation of provider participation agreements with third-party payers could reduce demand for MMC's services, resulting in reduced market share, reduced net patient services revenues and reduced net income.

PART 8 – DASNY

Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

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

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At December 31, 2019, DASNY had approximately $56.1 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

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

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

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

DASNY has a staff of approximately 536 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 47 field sites across the State.

Governance

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

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

The current members of DASNY are as follows:

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

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

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

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

JONATHAN H. GARDNER, ESQ., Buffalo.

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

WELLINGTON Z. CHEN, Queens.

Wellington Z. Chen was appointed as a Member of DASNY by the Governor on June 20, 2018. Mr. Chen is the Executive Director of the Chinatown Partnership Development Corporation. In this capacity, he leads the Chinatown Partnership in implementing initiatives in infrastructure, post 9/11 rebuilding and public space improvements in a comprehensive effort to improve the environmental and the business conditions. He is a graduate of the School of Architecture and Environmental Studies at The City College of New York. Mr. Chen's term expires on March 31, 2020.

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

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

JOAN M. SULLIVAN, Slingerlands.

Joan M. Sullivan was appointed as a Member of DASNY by the New York State Comptroller on March 26, 2019. Ms. Sullivan is President of On Wavelength Consulting LLC, a firm that assists governmental entities with development of public procurements and private companies with the preparation of effective responses to government solicitations. She possesses over 40 years of experience working in and for the government of New York State, including an expansive career at the NYS Office of State Comptroller where she last served as Executive Deputy Comptroller before accepting an appointment as Executive Director of The NYS Forum, Inc. Ms. Sullivan holds a Bachelor of Arts degree in Business Administration (Accounting) from Siena College.

GERARD ROMSKI, ESQ., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on May 9, 2016. He is Counsel and Project Executive for "Arverne by the Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, New York. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

SHANNON TAHOE, Acting Commissioner of Education of the State of New York, Cohoes; ex-officio.

Shannon Tahoe assumed the role of Acting Commissioner of Education and Acting President of the University of the State of New York effective November 16, 2019. Since September 2006, Ms. Tahoe has served in various capacities within the Department, including Deputy Counsel and Assistant Counsel for Legislation. In October 2019, she was appointed Acting Counsel and Deputy Commissioner for Legal Affairs. This appointment will continue to remain in effect along with her appointment as Acting Commissioner of Education and Acting President of the University of the State of New York. Ms. Tahoe has provided legal advice and counsel on critical policy matters and key initiatives. She is familiar with all aspects of the work of the Department, having managed the day-to-day operations of the Office of Counsel as Deputy Counsel and now Acting Counsel. During her tenure, Ms. Tahoe has also assisted with the successful management of a broad array of critical Departmental functions and responsibilities. She holds a Juris Doctorate degree from Syracuse University and Bachelor of Science degree from the University of Rochester.

ROBERT F. MUJICA, JR., Budget Director of the State of New York, Albany; ex-officio.

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected

and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

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

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

The principal staff of DASNY are as follows:

REUBEN R. McDANIEL, III is the Acting President and chief executive officer of DASNY, responsible for the overall management of DASNY's administration and operations. Mr. McDaniel possesses more than 30 years of experience in financial services, including public finance, personal wealth management, corporate finance and private equity. During his career in public finance, he participated in more than $75 billion in tax-exempt bond issuances throughout the country. He has also managed investment portfolios and business assets for a variety of professionals. He previously served as Chair of the Atlanta Board of Education for Public Schools. Mr. McDaniel holds an undergraduate degree in Economics and Mathematics from the University of North Carolina at Charlotte and a Master of Business Administration from the University of Texas at Austin.

PAUL G. KOOPMAN is the Vice President of DASNY and assists the President in the administration and operation of DASNY. Mr. Koopman joined DASNY in 1995 managing the Accounts Payable and Banking and Investment Units followed by management positions in the Construction Division including Managing Senior Director of Construction where he was the primary relationship manager for some of DASNY's largest clients and provided oversight of DASNY's construction administration functions. Most recently, Mr. Koopman served as Managing Director of Executive Initiatives of DASNY where he worked closely with executive staff on policy development, enterprise risk management, and strategic planning. His career in public service began in 1985 with the NYS Division of the Budget, and then continued as Chief Budget Analyst for the New York State Facilities Development Corporation. A graduate of the Rockefeller College of Public Affairs, he holds a Master of Arts degree in Public Administration with a Public Finance concentration, and a Bachelor of Arts degree in Political Science from the State University of New York, University at Albany.

KIMBERLY J. NADEAU is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable, financial reporting functions, budget, payroll, insurance and information services, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters, and the legal aspects of all DASNY financings. In addition, he is responsible for the supervision of DASNY's environmental affairs unit. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public

utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor of Arts degree from the State University of New York at Albany.

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

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications & Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

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

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2019. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 9 – LEGALITY OF THE SERIES 2020A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2020A Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2020A Bonds.

PART 10 – NEGOTIABLE INSTRUMENTS

The Series 2020A Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2020A Bonds.

PART 11 – TAX MATTERS

General

In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"), and (ii) interest on the Series 2020A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering such opinion, Hawkins Delafield & Wood LLP has relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, DASNY, MMC, White Plains Hospital Medical Center ("*WPHMC*") and others, and Hawkins Delafield & Wood LLP has assumed compliance by, as applicable, DASNY, MMC and WPHMC with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2020A Bonds from gross income under Section 103 of the Code. In addition, in rendering its opinion, Hawkins Delafield & Wood LLP has relied on the opinions of counsel to MMC and WPHMC, respectively, regarding, among other matters, the current qualifications of MMC and WPHMC as organizations described in Section 501(c)(3) of the Code.

In addition, in the opinion of Hawkins Delafield & Wood LLP, under existing statutes, interest on the Series 2020A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Hawkins Delafield & Wood LLP expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2020A Bonds, or the ownership or disposition thereof, except as stated above. Hawkins Delafield & Wood LLP renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Hawkins Delafield & Wood LLP expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Hawkins Delafield & Wood LLP expresses no opinion on the effect of any action taken or not taken in reliance upon

an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2020A Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2020A Bonds in order that interest on the Series 2020A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2020A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2020A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. DASNY, MMC and WPHMC have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2020A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2020A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2020A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2020A Bonds.

Prospective owners of the Series 2020A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2020A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("*OID*") is the excess of the sum of all amounts payable at the stated maturity of a Series 2020A Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Series 2020A Bonds. In general, the issue price for each maturity of Series 2020A Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Hawkins Delafield & Wood LLP further is of the opinion that, for any Series 2020A Bonds having OID (a "*Discount Bond*"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2020A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of OID for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2020A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2020A Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2020A Bond (a "*Premium Bond*"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership and amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including OID) paid on tax-exempt obligations, including the Series 2020A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2020A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2020A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2020A Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2020A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2020A Bonds.

Prospective purchasers of the Series 2020A Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed form of the opinion of Hawkins, Delafield & Wood LLP relating to the Series 2020A Bonds is set forth in "**Proposed Forms of Approving Opinions of Co-Bond Counsel**" in "**APPENDIX G**" hereto.

PART 12 – STATE NOT LIABLE ON THE SERIES 2020A BONDS

The Act provides that notes and bonds of DASNY shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of DASNY. The Resolution specifically provides that the Series 2020A Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 13 – COVENANT BY THE STATE

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

PART 14 – RATINGS

Moody's Investors Service, Inc. ("*Moody's*") has assigned a rating of "Baa3" (stable outlook) to the Series 2020A Bonds and S&P Global Ratings ("*S&P*") has assigned a rating of "BBB" (stable outlook) to the Series 2020A Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; and S&P, 55 Water Street, New York, New York 10041. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any or both of such rating agencies if, in the judgment of any or both of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2020A Bonds. A securities rating is not a recommendation to buy, sell, or hold securities.

Moody's, S&P and Kroll Bond Ratings Agency, Inc. have assigned ratings of "A2" (stable outlook), "AA" (stable outlook) and "AA+" (stable outlook), respectively, to the Insured Bonds, based on the understanding that the Policy insuring the scheduled repayment of principal and interest due with respect to the Insured Bonds will be issued by AGM upon the issuance of the Insured Bonds. Such ratings are subject to revision or withdrawal at any time by either such rating agency, including withdrawal initiated at the request of the Insurer in its sole discretion. In addition, a rating agency may at any time change the Insurer'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 such rating, the assignment of a negative outlook to such rating or the placement of such rating on a negative watch list may have an adverse effect on the market price of any security guaranteed by the Insurer. Such ratings are only applicable to the Insured Bonds.

PART 15 – LEGAL MATTERS

Certain legal matters incidental to the offering of the Series 2020A Bonds by DASNY are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, and Brown Hutchinson LLP, Rochester, New York, as Co-Bond Counsel, whose approving opinions will be delivered with the Series 2020A Bonds. The proposed forms of Co-Bond Counsel's opinions are set forth in "**Proposed Forms of Approving Opinions of Co-Bond Counsel**" in "**APPENDIX G**" hereto.

Certain legal matters will be passed upon for MMC by its special counsel, Dennett Law Offices, P.C., Great Neck, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP., New York, New York.

There is not now pending any litigation restraining or enjoining the issuance, offering or delivery of the Series 2020A Bonds or questioning or affecting the validity of the Series 2020A Bonds or the proceedings and authority under which the Series 2020A Bonds are to be issued and offered. See "**Montefiore Obligated Group**" in "**APPENDIX A**" hereto with respect to any material litigation affecting MMC.

PART 16 – UNDERWRITING

BofA Securities, Inc. (the "*Representative*"), on behalf of the underwriters for the Series 2020A Bonds listed on the cover page of this Official Statement (the "*Underwriters*"), has agreed, subject to certain conditions, to purchase the Series 2020A Bonds from DASNY at a purchase price of $396,083,936.00 (reflecting an underwriters' discount of $1,838,333.90 and an original issue premium of $41,412,269.90), and to make a public offering of the Series 2020A

Bonds at prices that are not in excess of the public offering prices or yields indicated on the cover of this Official Statement. The obligations of the Underwriters are subject to certain terms and conditions contained in the Purchase Contract. The Underwriters will be obligated to purchase all of the Series 2020A Bonds if any of the Series 2020A Bonds are so purchased. MMC has agreed to indemnify the Underwriters against certain liabilities, including certain liabilities arising under federal and state securities laws. The initial offering price of the Series 2020A Bonds may be changed by the Underwriters.

MMC expects to use a portion of the proceeds from the sale of the Series 2020A Bonds to repay the current outstanding balance on its corporate line of credit with Bank of America, N.A., which is an affiliate of one of the Underwriters of the Series 2020A Bonds. The use of proceeds of the Series 2020A Bonds to refinance a MMC obligation to an affiliate of one of the Underwriters creates a potential conflict of interest, as such repayment will reduce the exposure the Underwriters or their affiliates have to default by MMC. This potentially creates an additional incentive for the Underwriters to recommend the issuance or purchase of the Series 2020A Bonds.

BofA Securities, Inc., an underwriter of the Series 2020A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("*MLPF&S*"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2020A Bonds.

Citigroup Global Markets Inc., an underwriter of the Series 2020A Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "*Fidelity*"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Underwriters and their respective 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 of MMC.

The Series 2020A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

PART 17 – FINANCIAL ADVISOR

Ponder & Co. has served as financial advisor to MMC in connection with the Series 2020A Bonds. Ponder & Co. is not obligated to undertake, and has not undertaken, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Ponder & Co. is an independent advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities.

PART 18 – FINANCIAL STATEMENTS

The financial statements as of and for the years ended December 31, 2018 and 2017, which are included in "**Montefiore Medical Center Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-1"** to this Official Statement and in "**Montefiore Health System, Inc. Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors"** in "**APPENDIX B-3"** to this Official Statement, have been audited by Ernst & Young LLP, independent accountants, as stated in their reports appearing therein.

The unaudited consolidated financial statements of MMC as of and for the nine months ended September 30, 2019 and 2018 are included in "**Unaudited Consolidated Financial Statements of Montefiore Medical Center as of and for the nine months ended September 30, 2019 and 2018**" in "**APPENDIX B-2"** to this Official Statement. The unaudited consolidated financial statements were prepared by management of MMC in accordance with accounting principles generally accepted in the United States of America. Operating results for the nine months ended September 30, 2019 and 2018 will not necessarily be indicative of the results for the entire fiscal year ending December 31, 2019. The interim financial information should be read in conjunction with the audited financial statements and related notes included in "**Montefiore Medical Center Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-1"** to this Official Statement.

PART 19 – CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("*Rule 15c2-12*"), MMC will enter into a written agreement (the "*Continuing Disclosure Agreement*") with Digital Assurance Certification LLC ("DAC"), disclosure dissemination agent and the Bond Trustee. The proposed form of the Continuing Disclosure Agreement is attached hereto as "**Proposed Form of Agreement to Provide Continuing Disclosure**" in "**APPENDIX H"** hereto.

Pursuant to the Supplemental Indenture, within 60 days after the end of each of MMC's first three fiscal quarters of each fiscal year and within 75 days after the end of MMC's fourth quarter of each fiscal year, MMC shall post on its website or a national repository or furnish to the Bond Trustee and to Holders requesting the same, copies of the unaudited interim financial statements of MMC and its controlled organizations, or of the Credit Group, if applicable, (including statements of financial position, activities, changes in net assets and cash flows), and quarterly utilization and operating data for the applicable fiscal quarter only of MMC and its consolidated subsidiaries, or of the Credit Group, if applicable, of the type described in "**Montefiore Obligated Group**" in "**APPENDIX A"** hereto under the headings "Utilization" and "Sources of Net Patient Service Revenue" therein.

MMC shall post on its website or with a national repository (a) within 150 days after the end of each fiscal reporting period commencing with the fiscal year ending December 31, 2019, the audited financial statements of MHS and its consolidated subsidiaries and (b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year and within 75 days after the end of the fourth quarter of each fiscal year, copies of the unaudited interim financial statements of MHS and its controlled organizations. MMC may satisfy these requirements by posting such financial statements to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system for municipal securities disclosure ("EMMA").

MMC shall use its best efforts to post or cause to be posted under the under the CUSIP number(s) for bonds issued by or on behalf of Albert Einstein College of Medicine ("*AECOM*"), within 150 days after the end of each fiscal reporting period commencing with the fiscal year ending December 31, 2019, the audited financial statements of AECOM. To the extent there are no longer any bonds issued by or on behalf of AECOM outstanding, MMC shall use its best efforts to cause such financial statements to be posted to AECOM's website or with a national repository.

Notwithstanding anything contained herein to the contrary, MMC may satisfy its requirements with respect to disclosure of financial information and statements relating to MMC, MHS and/or AECOM pursuant to Section 6.07(D) of the Supplemental Indenture through posting such financial information and/or statements to DAC.

MMC shall host an annual investor conference call.

The failure of MMC to comply with the covenants under this heading "**PART 19 – CONTINUING DISCLOSURE**" herein shall not be considered an event of default under the Bond Indenture, the Master Indenture or any Supplemental Indenture. As the sole and exclusive remedy for MMC's failure to comply with these covenants, the Bond Trustee may (and, at the request of the holders of at least 51% of the aggregate principal amount in the Outstanding Bonds, shall) or any Holder or owner of a beneficial interest in a Bond or Bonds may take such actions to seek specific performance by court order and to cause MMC to comply with its obligations under this section and no person, including any Holder or any Beneficial Owner of the Bonds, may recover monetary damages.

Copies of the reports and statements required to be filed with the Bond Trustee, as described above, shall be filed with the Bond Trustee in sufficient quantity to permit the Bond Trustee to mail a copy to each Holder who requests it, and, if not made available to the Bond Trustee, on MMC's website or a national repository.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. Any agreement regarding continuing disclosure, however, may be amended or modified under certain circumstances without the consent of the Holders of the Series 2020A Bonds. Any such agreement when executed by the parties thereto will be on file at the principal office of MMC.

PART 20 – MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2020A Resolution, the Loan Agreement, the Master Indenture, the Supplemental Indenture, Obligation No. 5 and the Mortgage do not purport to be complete. Refer to the Act, the Resolution, the Series 2020A Resolution, the Loan Agreement, the Master Indenture, the Supplemental Indenture, Obligation No. 5 and the Mortgage for full and complete details of their provisions. Copies of the Resolution, the Series 2020A Resolution, the Loan Agreement, the Master Indenture, the Supplemental Indenture, Obligation No. 5 and the Mortgage are on file with DASNY and the Bond Trustee.

The agreements of DASNY with the holders of the Series 2020A Bonds are fully set forth in the Resolution and the Series 2020A Resolution. Neither any advertisement of the Series 2020A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2020A Bonds.

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

The information regarding MMC, the Obligated Group and the Master Indenture was supplied by MMC. DASNY believes that this information is reliable, but DASNY makes no representations or warranties whatsoever as to the accuracy or completeness of this information. DASNY does not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of DASNY. DASNY does not directly or indirectly guarantee, endorse or warrant (i) the creditworthiness or credit standing of MMC or the Obligated Group, (ii) the sufficiency of the security for the Series 2020A Bonds or (iii) the value or investment quality of the Series 2020A Bonds.

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

"**Specimen of Municipal Bond Insurance Policy**" in "**APPENDIX I**" hereto has been provided by AGM.

"**Certain Definitions**" in "**APPENDIX C**" hereto, "**Summary of Certain Provisions of the Loan Agreement**" in "**APPENDIX D**" hereto, "**Summary of Certain Provisions of the Resolution**" in "**APPENDIX E**" hereto, "**Proposed Forms of Approving Opinions of Co-Bond Counsel**" in "**APPENDIX G**" hereto have been prepared by Hawkins Delafield & Wood LLP, New York, New York, and Brown Hutchinson LLP, Rochester, New York, Co-Bond Counsel. A substantially final form of the Master Indenture is attached hereto as "**Form of Master Indenture**" in "**APPENDIX F**" hereto.

The audited consolidated financial statements of MMC as of and for the years ended December 31, 2018 and 2017 included in "**Montefiore Medical Center Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-1**" of this Official Statement and the audited consolidated financial statements of Montefiore Health System, Inc. as of and for the years ended December 31, 2018 and 2017 included in "**Montefiore Health System, Inc. Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors"** in "**APPENDIX B-3**" of this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their reports appearing therein. The information contained in the unaudited consolidated financial statements of MMC and Affiliates as of and for the nine months ended September 30, 2019 and 2018 included in "**Unaudited Consolidated Financial Statements of Montefiore Medical Center as of and for the nine months ended September 30, 2019 and 2018**" in "**APPENDIX B-2**" to this Official Statement, is derived from unaudited internal records and should be read in conjunction with the audited consolidated financial statements and report included in "**Montefiore Medical Center Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-1**" hereto.

MMC has reviewed the sections of this Official Statement describing the Obligated Group and MMC under the headings "**PART 1 – INTRODUCTION**," "**PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS**," "**PART 3 – THE SERIES 2020A BONDS**," "**PART 4 – PLAN OF FINANCE**," "**PART 5 – PRINCIPAL, SINKING FUND INSTALLMENTS AND INTEREST REQUIREMENTS**, "**PART 6– ESTIMATED SOURCES AND USES OF FUNDS**," "**PART 7 – BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY**," "**PART 11 – TAX MATTERS**" (with respect to underlying factual matters set forth therein), "**PART 19 – CONTINUING DISCLOSURE**," "**Montefiore Obligated Group**" in "**APPENDIX A**" hereto, "**Montefiore Medical Center Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-1**" hereto, "**Unaudited Consolidated Financial Statements of Montefiore Medical Center as of and for the nine months ended September 30, 2019 and 2018**" in "**APPENDIX B-2**" hereto and "**Montefiore Health System, Inc. Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**" in "**APPENDIX B-3**" hereto. MMC shall certify as of the date hereof and as of the date of delivery of the Series 2020A Bonds that such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: */s/ Reuben R. McDaniel, III*
Authorized Officer

APPENDIX A

MONTEFIORE OBLIGATED GROUP

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Table of Contents

Certain statements in this Appendix A that relate to the Medical Center, MHS, Montefiore Medicine and other System entities are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of the Obligated Group. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Obligated Group to be materially different from any expected future results or performance. Such factors include, but are not limited to, items discussed in "PART 7 - BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY."

* * * * *

Certain financial information and utilization data set forth herein with respect to past periods may differ from what the Obligated Group Members have previously reported in earlier disclosure documents. This is generally due to changes in accounting standards and related guidance, or the application of relevant accounting standards, that require a reclassification or restatement of certain items and to adjustments in utilization data that occur in the normal course of patient care or as services are billed and coded.

* * * * *

The information contained in this Appendix A may include statistics and other data relating to the healthcare industry in the United States that have been derived from third party sources. Such statistics and data are not necessarily reflective of current or future industry and market conditions. While the Obligated Group has no reason to question the accuracy of such statistics and data, such statistics and data have not been independently verified by the Obligated Group.

MONTEFIORE OBLIGATED GROUP

Introduction

Montefiore Medical Center (the "Medical Center" or "MMC") is currently the only member of the Obligated Group established pursuant to the Master Indenture. The Medical Center operates three inpatient acute care facilities located on three campuses in Bronx County, New York, as well as numerous ambulatory care and outpatient facilities.

With a history dating to 1884, the Medical Center is the primary operating corporation in an integrated academic health care system (the "System" or the "Montefiore Health System") that serves Bronx, Westchester, Rockland and Orange Counties, New York. Other System entities own and operate five inpatient acute care hospitals, an inpatient rehabilitation hospital, a skilled nursing facility, numerous outpatient facilities, and a medical school. Montefiore Medicine Academic Health System, Inc. ("Montefiore Medicine") is the sole corporate member of Montefiore Health System, Inc. ("MHS"), which serves as the sole corporate member of MMC and each of the other major health care delivery entities in the System. Montefiore Medicine is also the controlling corporate member of Albert Einstein College of Medicine, a New York education corporation ("AECOM"), which owns and operates the Albert Einstein College of Medicine (the "College of Medicine" or the "Medical School"). MHS is the "active parent" of the Medical Center and each of MHS's other subsidiary hospitals and has received establishment approval from the Public Health and Health Planning Council of the New York State Department of Health (the "Public Health Council") to participate in the governance and operations of the Medical Center and each of these subsidiaries.

The Medical Center is the flagship of the Montefiore System. For the year ended December 31, 2018, MHS and its consolidated subsidiaries, which includes all the affiliated hospital corporations, recorded total operating revenue of $5.9 billion and, as of December 31, 2018, had $5.4 billion of total assets.[1] Of these amounts, 65% of the total operating revenue and 72% of total assets were attributable to MMC.

The Medical Center is the only Member of the Obligated Group. Neither Montefiore Medicine, MHS, AECOM nor any entity in the System other than MMC has any legal or contractual obligation with respect to the payment of the Obligation No. 5 or Obligation No. 6 (collectively, the "2020 Obligations") or the Series 2020A Bonds or the Series 2020B Bonds (collectively, the "Series 2020 Bonds").

Pursuant to the Master Indenture, MMC and any future Member of the Obligated Group is jointly and severally liable on each Obligation now or hereafter issued and outstanding under the Master Indenture, and pursuant to the Master Indenture MMC and any future Member of the Obligated Group pledges its Gross Receivables to secure payment of the Obligations. To further secure payment of the Obligations, the Master Indenture requires the Medical Center to grant to the Master Trustee a mortgage on certain of its property. See, "Existing Facilities and Mortgage Property" below for a description of the mortgaged property.

Montefiore Medical Center

The Medical Center is a voluntary, acute care teaching hospital with three inpatient facilities located in the Bronx, New York and a total of 1,558 certified beds. MMC provides comprehensive primary, secondary, tertiary and quaternary healthcare services primarily to the residents of the Bronx. A New York not-for-profit corporation, the Medical Center is exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in section 501(c)(3) of the Code.

Founded in 1884 as the Montefiore Home for Chronic Invalids, the Medical Center in its early years provided care primarily to patients with tuberculosis and other chronic illness, filling a need not fully met by acute care hospitals. MMC's first facility was located on the Upper East Side of Manhattan. By 1888, it had moved to a larger facility on the Upper West Side and remained there until 1913 when it moved to what is now its Moses Campus in the Bronx. Over the years, the Medical Center's mission has broadened to serve a wider patient population including those with acute illnesses, and it is now long established as a nationally recognized academic medical center. Building on its early mission, MMC maintains a continued commitment to underserved populations

[1] See, Appendix B-1 - Montefiore Medical Center Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors and Appendix B-3 – Montefiore Health System, Inc. Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors.

that has put it in the forefront of developments in health care delivery and education. The Medical Center established the first Department of Social Medicine, the first hospital-based Department of Social Work and the first hospital-based Department of Home Health Care in the United States.

The Montefiore Medical Group (the "Medical Group"), a practice group of physicians and other health care providers employed by MMC, was established in 1948. A participant in one of the first group model health maintenance organizations in the nation, the Medical Group now includes 334 medical professionals who provide primary care at 219 primary care sites and 31 school-based health centers. MMC's long commitment to and experience with the integrated delivery of care in coordination with its physician employees has positioned it well with respect to the health care industry's current focus on managed care and community outreach and access.

The past twelve years have been ones of growth for the Medical Center, reflecting in part the consolidation of the hospital industry in New York, and the adoption of a population health strategy to increase the number of individuals served by the System. In 2007, the Medical Center had two Bronx hospitals: the Henry and Lucy Moses Division, which includes The Children's Hospital at Montefiore, located at 111 East 210th Street, Bronx, New York (the "Moses Campus"), and the Jack D. Weiler Hospital of the Albert Einstein College of Medicine (the "Weiler Division") located at 1825 Eastchester Road, Bronx, New York (the "Weiler Campus"). In 2008, the Medical Center acquired Our Lady of Mercy Hospital and transformed it into the Medical Center's third inpatient hospital facility. Known as the Wakefield Division, this site is located at 600 East 233rd Street, Bronx, New York (the "Wakefield Campus").

There has also been substantial growth in MMC's ambulatory and outpatient facilities. In 2013, the Medical Center acquired the former Westchester Square Medical Center located at 2475 St. Raymond Avenue, Bronx, New York (the "Westchester Square Campus"), and converted it into an ambulatory care site offering emergency and ambulatory surgery services. In 2014, the Hutchinson Campus, located at 1250 Waters Place, Bronx, New York (the "Hutchinson Campus"), was opened, offering ambulatory surgery and multispecialty outpatient services.

In addition to the 19 primary care sites and 31 school-based health centers staffed by the Medical Group, MMC operates a hospital-based home health agency, methadone maintenance treatment programs, and urgent care centers located throughout the Bronx and Westchester County. MMC also administers the clinical activity of MMC's employed physicians and research activities funded by grants and contracts with the National Institute of Health, New York State agencies, corporations and other entities.

The Medical Center, which is the university hospital and primary teaching affiliate of the College of Medicine, has one of the largest graduate medical education teaching programs in the nation. MMC currently provides training to over 1,500 interns, residents, fellows, physician assistants, pharmacists, physicists, and psychologists through programs that are either accredited by the Accreditation Council for Graduate Medical Education, the American Dental Association or other accrediting organizations, or are unaccredited fellowships. In 2019, MMC was awarded a highly competitive $1.8 million grant from the American Medical Association to study social determinants of health across four primary care residencies. MMC and AECOM are parties to agreements pursuant to which AECOM recognizes MMC as its primary teaching affiliate and agrees to provide MMC with at least a majority of the College of Medicine's medical students, and MMC agrees to provide clinical clerkships for College of Medicine students.

The Medical Center has committed substantial financial resources to the growth of the System and its closer affiliation with the College of Medicine. See "Montefiore Health System, Inc.," "Albert Einstein College of Medicine" and "Financial Commitments to Affiliates" below.

Montefiore Health System, Inc.

MHS is a New York not-for-profit corporation and a 501(c)(3) organization. It serves as the sole corporate member of the Medical Center and the other health care delivery entities in the System. MHS has received establishment approval from the Public Health Council to participate in the governance and operations of the Medical Center and each of MHS's other hospital subsidiaries.

MHS subsidiaries own and operate hospital, skilled nursing and outpatient facilities in Westchester, Rockland and Orange Counties, New York, with a total of 2,977 certified acute care beds, 150 certified skilled nursing beds and approximately 32,000 employees. The medical staffs of System hospitals total over 5,000 physician and dentist members. The System has approximately 250 sites, including one of the first off-campus emergency departments in New York State, 71 primary care sites, which includes 19 Medical Group sites, 31 school

health-based health centers, 18 behavioral health/substance use disorder treatment clinics, 130 specialty care sites, nine dental clinics and eight imaging centers.

MHS Subsidiaries

In addition to being the sole corporate member of the Medical Center, MHS is the sole corporate member of Montefiore Mount Vernon Hospital ("MVH"), Montefiore New Rochelle Hospital ("NRH"), Schaffer Extended Care Center ("SECC"), Montefiore Nyack Hospital ("Nyack Hospital"), St. Luke's Cornwall Hospital ("SLCH"), White Plains Hospital Medical Center ("White Plains Hospital") and The Winifred Masterson Burke Rehabilitation Hospital ("Burke Rehab").

In 2013, through newly created subsidiaries, MHS acquired the assets of health care providers that were then part of the Sound Shore System in Westchester County, New York. This was done through the bankruptcy proceeding of the Sound Shore entities. The real property formerly owned and operated by the Sound Shore entities was acquired by MHS affiliates and leased to MVH, NRH and SECC.

MVH operates a community-based teaching hospital located in Mount Vernon, Westchester County, New York, with 121 certified beds, 85 of which are currently operational. In October 2019, MHS announced its plan to close this hospital upon completion of a new, multi-specialty, ambulatory care center that will be located nearby on Sandford Boulevard in Mount Vernon (the "Sandford Boulevard Facility"). The Sandford Boulevard Facility, which will total approximately 40,000 square feet, will include a hospital-based off-campus emergency department that will be staffed by board-certified emergency medicine physicians and operate 24 hours a day, seven days a week. This project, with an estimated cost of approximately $41.1 million, will be fully funded with a grant awarded by New York State through the Statewide Health Care Facility Transformation Program.

NRH operates a community-based teaching hospital offering primary, acute and emergency care, with 223 certified beds (151 currently operational), located in New Rochelle, Westchester County, New York. SECC operates a 150-bed facility located on the NRH campus. SECC offers short-term rehabilitation/sub-acute care and skilled long-term care and operates an adult day services program that provides a wide range of healthcare and social services for medically frail seniors and those with chronic conditions or disabilities.

Nyack Hospital, which joined the System in 2014, owns and operates an acute care community hospital located in Nyack, Rockland County, New York, with 391 certified beds (209 currently operational). Nyack Hospital was founded in 1895 and provides clinical rotations to third-year students from Touro College of Osteopathic Medicine. It is a New York State designated Stroke Center and Area Trauma Center.

SLCH joined the System in 2016. It owns and operates an acute care community hospital located in Newburgh, Orange County, New York. It has 242 certified beds of which 184 are currently operational. SLCH is a regional center for neonatology through its Elaine Kaplan Neonatal Intensive Care Unit. SLCH also has an outpatient center located in Cornwall, Orange County, New York.

MVH, MNR, Nyack Hospital and SLCH are recipients of grant funding through New York State Department of Health's ("NYS DOH") Value Based Payment/Quality Improvement Program. MHS has collaborated with each of these facilities and the NYS DOH to develop transformation plans designed to improve financial stability and meet New York State's value-based payment goals by transitioning hospitals from fee-for-service to value based care that rewards quality and outcomes. Under this program, the hospitals receive operating grants while implementing transformation initiatives. These facilities have also received capital grants awards, via the Capital Restructuring Financing Program and the Statewide Health Care Facility Transformation Programs I and II, for projects in furtherance of transformation and financial sustainability.

White Plains Hospital, which joined the System in 2015, is a 292-bed acute care hospital located in White Plains, New York. In addition to inpatient and emergency services, White Plains Hospital provides a broad range of primary and advanced care through White Plains Hospital Physician Associates at locations throughout Westchester County. A portion of the proceeds of the Series 2020 Bonds will be used to finance White Plains Hospital's hospital outpatient and office building project (the "HOB Project"). See "Plan of Finance" below for additional details.

Burke Rehab is a 150-bed rehabilitation hospital located in White Plains, Westchester County which joined the System in 2016. Founded in 1915, Burke Rehab is the only hospital in Westchester devoted to providing inpatient and outpatient rehabilitation for a broad range of neurological, musculoskeletal, cardiac, and pulmonary disabilities caused by disease or injury. Burke treats patients who have suffered a stroke, spinal cord injury, brain injury, amputation, complicated fracture, arthritis, cardiac and pulmonary disease, and neurological disorders.

Other Affiliates

Other affiliates of MHS include Montefiore HMO, LLC, which provides managed care alternatives to traditional Medicaid fee-for-service programs for long-term care patients; and Montefiore Information Technology, LLC, which provides a wide range of information technology and outsourcing support services.

In September 2018, MHS entered into a commitment to loan up to $28.5 million to St. John's Riverside Hospital ("SJRH") to support its working capital and operational needs. No amounts have been loaned as of the date hereof. SJRH and MHS currently have a clinical affiliation. In August 2018, SJRH's board voted to begin exclusive negotiations to join the Montefiore System. Negotiations are ongoing. SJRH has three inpatient facilities: two for acute care and one for chemical dependency. The main acute care facility, with 225 certified beds, and the facility for the treatment of chemical dependency, with 141 certified beds, are located in Yonkers, Westchester County, New York. The second acute care facility, with 12 certified beds, is in Dobbs Ferry, New York.

In addition to its clinical affiliation with SJRH, MHS has clinical affiliations with St. Joseph's Medical Center in Yonkers, Westchester County, and with St. Barnabas Hospital in the Bronx. MHS has a clinical collaboration agreement with CVS Pharmacy, Inc. to identify opportunities to promote greater wellness in the communities they jointly serve, and to assist patients who do not have regular access to healthcare by offering information about healthcare providers, including MHS affiliates. MHS also has a collaboration agreement with CityMD, an urgent care provider, to assist patients in obtaining appropriate follow up care, including at MHS affiliates, and to coordinate care.

In order to provide high quality care for a shared patient population across the care continuum, the Medical Center works with community based federally qualified health centers, hospital systems and post-acute care providers, including skilled nursing facilities, to improve patient care.

From time to time, MHS engages in discussions with other health care organizations regarding potential affiliation arrangements, which could involve MHS becoming their sole member. Agreement on business issues, Board of Trustee approval, and regulatory approvals are required prior to commencement of any affiliation. As with certain current affiliations, future affiliations could involve MMC or the Obligated Group agreeing to extend loans or otherwise transfer funds as part of these arrangements. Any such action by MMC or the Obligated Group in this regard would be subject to compliance with applicable covenants under its financing documents.

Albert Einstein College of Medicine

The College of Medicine was established in 1955 as an unincorporated division of Yeshiva University (the "University") and is now owned and operated by AECOM, a New York not-for-profit education corporation chartered by the New York State Board of Regents (the "Board of Regents"). AECOM is the successor by merger to Albert Einstein College of Medicine, Inc. ("AECOM, Inc."), a New York not-for-profit corporation that acquired the College of Medicine in September 2015. Montefiore Medicine and the University are the corporate members of AECOM. After a transitional period, Montefiore Medicine now has the power to appoint all members of the Board of Trustees of AECOM other than one appointed by the University. As of March 1, 2019, after AECOM was granted an absolute charter by the Board of Regents and was authorized to participate in the Federal Title IV student loan program, the academic oversight functions previously performed by the University for the College of Medicine now reside with AECOM, except with respect to certain international students. AECOM is accredited by the Middle States Commission on Higher Education for its Master of Science, Doctor of Medicine (MD) programs and Doctor of Philosophy (Ph.D.) programs, and by the Liaison Committee on Medical Education for the MD program.

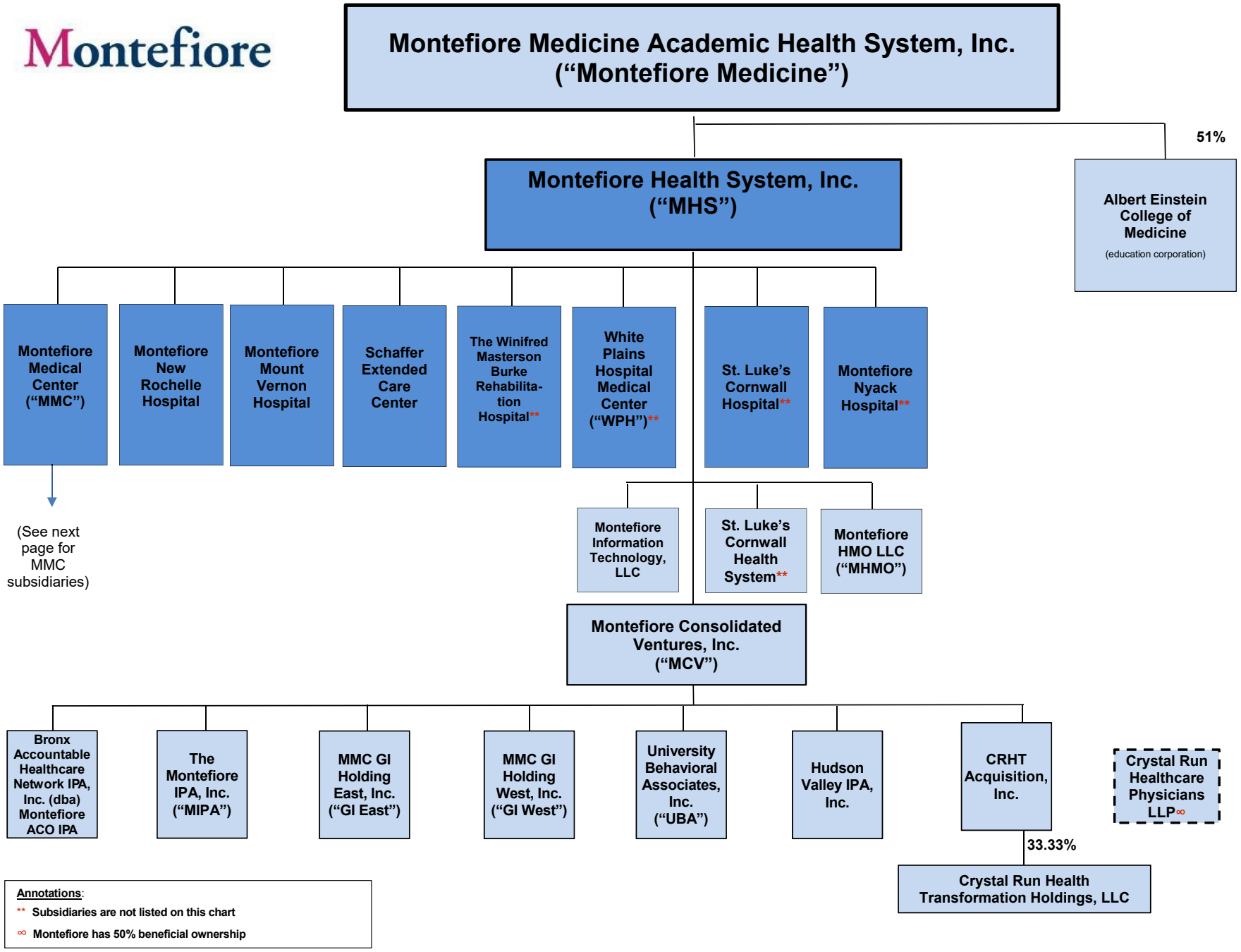
While the relationship between the Medical Center and the College of Medicine has become stronger and more direct in recent years, the relationship goes back decades. Within the first decade of its founding, the College of Medicine established an academic relationship with the Medical Center. The Medical Center has operated the Weiler Hospital almost continuously since it was constructed by the College of Medicine on its property in the 1960s. The Medical Center has been the University Hospital of the College of Medicine since the University and the Medical Center first entered into a formal affiliation agreement in 1984. Under the current affiliation agreement, AECOM agrees to provide the Medical Center with at least the majority of its medical students and the Medical Center agrees to provide clinical clerkships for the students. The Medical Center's salaried medical staff members receive Medical School faculty appointments recognizing their vital role in teaching the Medical School's students through all four years of undergraduate medical education. As a result of this arrangement, approximately 70% of members of the Medical School's teaching faculty are employed by the Medical Center. This relationship provides the Medical School with access to a network of Medical Center divisions in the Bronx, to hospitals in Westchester County that are affiliates of the Medical Center, to numerous community-based, ambulatory facilities, and to an

outstanding team of clinician-educator faculty for the purpose of medical student education. The Chairs of MMC clinical departments, in most instances, are Chairs of the corresponding academic department at the College of Medicine, and recruitment of physician leadership is done jointly by MMC and the Medical School. Corporate collaboration and integration initiatives have also been implemented including transition of the clinical activity at AECOM to MMC, and the transfer of responsibility for research activity being shifted to AECOM.

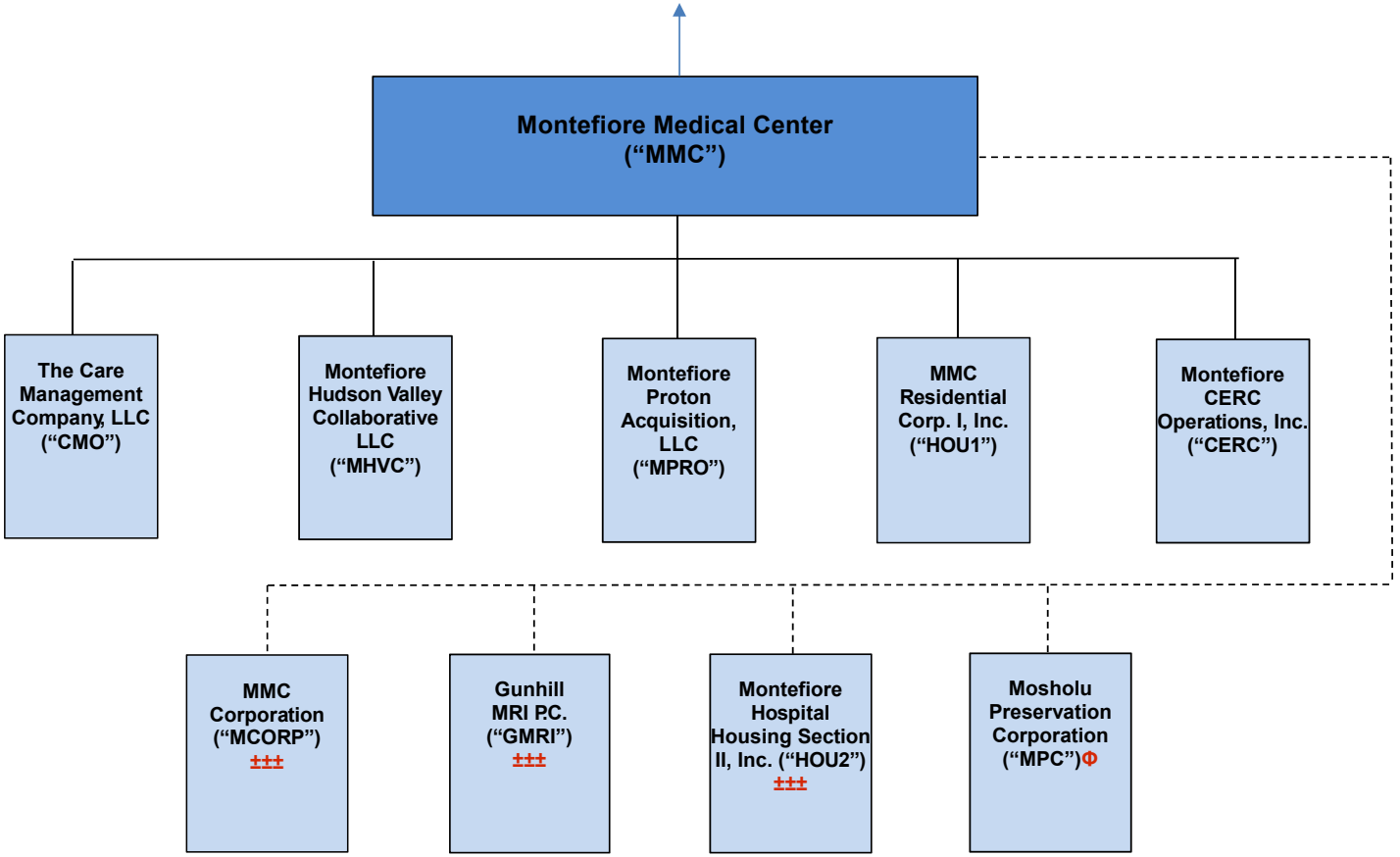
Montefiore Medicine Academic Health System, Inc.

Montefiore Medicine is a New York not-for-profit corporation and a 501(c)(3) organization. It is the sole corporate member of MHS. As discussed above, MHS is the sole corporate member of the Medical Center and the other primary health care delivery entities in the System. Montefiore Medicine is also the controlling corporate member of AECOM.

The organization chart below shows Montefiore Medicine and certain of its controlled affiliates.


Montefiore
Montefiore Medicine Academic Health System, Inc. ("Montefiore Medicine")
51%
Montefiore Health System, Inc. ("MHS")
Albert Einstein College of Medicine
(education corporation)
Montefiore Medical Center ("MMC")
Montefiore New Rochelle Hospital
Montefiore Mount Vernon Hospital
Schaffer Extended Care Center
The Winifred Masterson Burke Rehabilita-tion Hospital**
White Plains Hospital Medical Center ("WPH")**
St. Luke's Cornwall Hospital**
Montefiore Nyack Hospital**
(See next page for MMC subsidiaries)
Montefiore Information Technology, LLC
St. Luke's Cornwall Health System**
Montefiore HMO LLC ("MHMO")
Montefiore Consolidated Ventures, Inc. ("MCV")
Bronx Accountable Healthcare Network IPA, Inc. (dba) Montefiore ACO IPA
The Montefiore IPA, Inc. ("MIPA")
MMC GI Holding East, Inc. ("GI East")
MMC GI Holding West, Inc. ("GI West")
University Behavioral Associates, Inc. ("UBA")
Hudson Valley IPA, Inc.
CRHT Acquisition, Inc.
Crystal Run Healthcare Physicians LLP∞
33.33%
Crystal Run Health Transformation Holdings, LLC
Annotations:
** Subsidiaries are not listed on this chart
∞ Montefiore has 50% beneficial ownership

Montefiore



Annotations:

‡‡‡ MMC is not the sole member or shareholder, but has the ability to exercise some control.

Φ Montefiore has the right to appoint a majority of the board.

Governance; Board of Trustees

MHS, the sole member of the Medical Center, is an "active parent," having received establishment approval from the Public Health Council to participate in the governance and operation of the Medical Center. Accordingly, the Medical Center's bylaws vest certain powers in MHS, acting through its Board of Trustees or a designated committee of the board. Some of these powers are exclusive, such as the right to approve MMC's operating and capital budget. Other powers are concurrent. The bylaws allow MHS to further delegate certain of these powers to its sole member, Montefiore Medicine.

The members of the Board of Trustees of the Medical Center are elected as follows: a simple majority of the trustees, including the Chair, are elected by the Board of Trustees from a slate of candidates approved by MHS; and 49% of the trustees are appointed by MHS. Currently, all of the members of the Board of Trustees of the Medical Center serve on the MHS Board of Trustees. MHS has three additional board members appointed at the recommendation of the Board of Trustees of White Plains Hospital and one other additional board member. There is also substantial overlap with the Board of Trustees of Montefiore Medicine. The Chair and Vice Chair of the Board of Trustees of MHS and the Chief Executive Officer of MHS serve *ex officio* as members of the board of Montefiore Medicine, as do the Chairs of numerous committees of the MHS board. The Chair of AECOM's Finance Committee also serves *ex officio* as a member of the board of Montefiore Medicine. There is also substantial overlap in executive management positions, with the current Chief Executive Officer and the current Chief Financial Officer of MMC also serving in those positions with Montefiore Medicine and MHS. Additionally, the current President and Chief Executive Officer of MAMH also serves as President and Chief Executive Officer of AECOM.

The current members of the Board of Trustees of the Medical Center and MHS, and their principal occupations are set forth in the table below. Members of the Board of Trustees of Montefiore Medicine, all of whom with one exception are members of the boards of MMC and MHS, are indicated by an asterisk. Daniel Tishman is Chairman of the Board of Trustees of Montefiore Medicine and by virtue of that position serves as an *ex officio* member of the board of MHS.

Members of the Board of Trustees of the Medical Center and MHS

Name/Office	**Occupation**
James Butler* *Chairman*	Regional CEO, USI Insurance Services, LLC
Oded Aboodi* *Vice Chairman & Treasurer*	Chairman & CEO, Alpine Capital LLC
Jay Abramson*	Investor
Patricia Bauman	President, Bauman Foundation
Barry Blattman*	Senior Managing Partner, Brookfield Asset Management
Joel L. Braun	Executive Vice President and Chief Investment Officer, Acadia Realty Trust
Melisa Ceriale*	Philanthropist
Emanuel Chirico*	Chairman and CEO, PVH Corp.
Alisa R. Doctoroff*	Philanthropist
Bruce Doniger	President, J.E. and Z.B. Butler Foundation
Roger Einiger*	President, Hardscrabble Advisors; Chairman, AECOM Board of Trustees
Jennie Emil	Philanthropist
Nathan Gantcher*	Managing Member, EXOP Capital LLC
Ruth Gottesman, EdD	Retired; Chair Emeritus, Board of Overseers of Albert Einstein College of Medicine
Barry W. Gray	President, A.C. Israel Enterprises Inc. (Investments)
Patricia Green	President, Green Charitable Foundation
John P. Gutfreund	Research Director, Halle Capital Management LP

Name/Office	Occupation
Thomas L. Harrison	Retired; Chairman Emeritus, Diversified Agency Services, Omnicom Group Inc.
John Heffer*	Retired; Former President HSBC Business Unit, HSBC Bank USA
Lewis Henkind	President, Lewis Henkind Company (Real Estate)
Helen A. Johnson	Retired; Attorney, 2nd Assistant District Attorney, New York State Office of Court Administration
David B. Keidan	President, Buckingham Capital Management, Inc.
Alan M. Klein, Esq *	Partner, Simpson Thacher & Bartlett, LLP
Catherine M. Klema*	Consultant, Nettleton Advisors, LLC
Stacey R. Lane*	Philanthropist
Jay B. Langner	Owner, GOM Capital
Jonathan Lipton*	Entrepreneur (CEO & Co-Founder, Clade & Co., Inc.)
W. Norman Milner	Partner and Portfolio Manager, Neuberger Berman
Ronald L. Moelis	CEO & Founding Partner, L+M Development Partners
Margaret S. Nathan	Philanthropist
Matthew H. Nord*	Principal and Partner, Apollo Global Management, LLC
Philip O. Ozuah, MD, PhD*	President & CEO of Montefiore Medicine, MMC and MHS
Gayle F. Robinson	COO, Marble Collegiate Church
Zita Rosenthal	Landscaper Designer; Philanthropist
Jon W. Rotenstreich	President, Rotenstreich Family Partners, LLC (Consulting)
Hon. Felice K. Shea	Retired; Justice of the New York State Supreme Court
Edwin H. Stern, III	Executive Vice President, Seiden Krieger Associates, Inc. (Executive Search Consultants)
Michael A. Stocker, MD*	Retired; Former Chairman, New York City Health and Hospitals Corporation
Alan N. Suna	Principal, Silvercup Properties
David A. Tanner*	Three Mile Capital
Cynthia King Vance*	Management Consultant, Advanced Strategies, LLC

The following four individuals are on the MHS Board, but not the MMC Board

J. Michael Divney	Owner, Divney Strategic Advisors
Laurence R. Smith	Chairman, Chief Investment Officer & Founding Partner, Third Wave Global Investors LLC
Daniel R. Tishman*	Principal & Vice Chairman, Tishman Realty
Susan A. Yubas	Certified Senior Advisor and Founder, FYI Senior Living Solutions

* Also a member of the Board of Trustees of Montefiore Medicine.

The Board of Trustees governs through a varied and active group of nine committees: Audit; Community Services; Compliance; Executive; Finance; Investment; Legal; Medical; and Real Estate Planning & Development Committees.

Each of the other hospital subsidiaries of MHS has a board of trustees subject to varying levels of control by MHS. MHS is the "active parent" of each of its hospital subsidiaries.

Conflict of Interest Policy

The Board of Trustees of the Medical Center has adopted a Conflicts of Interest Policy and adheres to the requirements of the New York Not-For-Profit Corporation Law and guidance from the Internal Revenue Service (the

"IRS"). MMC monitors and enforces compliance with the conflicts of interest policy through a survey developed by counsel which is sent to all trustees, officers and key employees for required completion. All survey responses are reviewed by the Compliance Officer, and potential conflicts identified are discussed with senior management and/or the Compliance Committee of the Board of Trustees. Potential actions to be taken in response to a conflict may include one or more of the following: (i) disclosure of the conflict; (ii) implementation of a conflict mitigation plan, which would include, among other things, individual recusal from decisions for transactions where that individual may have a conflict; (iii) a request to the individual to alleviate the conflict; and (iv) removal of the individual from the Board of Trustees.

Any transaction in which a Board member has a financial interest must be determined to be fair and reasonable to MMC and approved by a majority vote of disinterested members. The potential conflict related to the transaction must be disclosed to those disinterested members prior to the vote. The Board member with the potential conflict of interest is not permitted to participate in the deliberations or vote with respect to the transaction.

Senior Management

Senior management personnel of the Medical Center and MHS have responsibilities throughout the System, and many hold offices with other System entities. Each of the individuals noted below holds the title or titles set forth after his or her name with both the Medical Center and MHS. Effective November 15, 2019 with the retirement of Dr. Steven Safyer, Dr. Philip O. Ozuah became Chief Executive Officer of the Medical Center and MHS. Dr. Safyer had served as Chief Executive Officer since 2008.

Philip O. Ozuah, M.D., PhD, President & Chief Executive Officer (56). Dr. Ozuah began his career at MMC in 1989 as resident in social pediatrics and was appointed Executive Vice President – Operations and Chief Operating Officer with the Medical Center and MHS in 2012. In February 2018, he was appointed President of the Medical Center and MHS, and in November 2019 he was appointed Chief Executive Officer. He previously served as Professor and University Chairman of Pediatrics at Albert Einstein College of Medicine and Physician-in-Chief of the Children's Hospital at Montefiore. In addition to his medical degree, which he earned at University of Ibadan, Nigeria in 1985, Dr. Ozuah holds a Master's degree in Medical Education granted by the University of Southern California in 1989 and a Doctorate in Educational Leadership and Administration granted by the University of Nebraska-Lincoln in 2002. He is also Professor of Pediatrics and Professor of Epidemiology and Population Health at the Albert Einstein College of Medicine.

Colleen Blye, CPA, Executive Vice President and Chief Financial Officer (59). Ms. Blye joined Montefiore in her current position in 2016, and is responsible for financial strategy, financial reporting, investments and financial performance at MMC and throughout the Montefiore System. Prior to joining the Medical Center, she served as Executive Vice President and Chief Financial Officer of Catholic Health Services of Long Island, an integrated healthcare system with six hospitals and three nursing homes. Prior to that, she served as Executive Vice President for Finance and Integrated Services at Catholic Health Initiatives, a healthcare system with 78 hospitals in 20 states. Ms. Blye received a Bachelor's degree in Accounting from the University of Delaware in 1981. She is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Healthcare Financial Management Association.

Alfredo Cabrera, System Senior Vice President and Chief Human Resources Officer (63). Mr. Cabrera joined the Medical Center in his current position in 2012. Prior to joining the Medical Center, he spent 20 years at PepsiCo in various positions of increasing responsibility including Director, Personnel for South America, Senior Director of Staffing for Pepsi Cola International, and then leading the human resource strategy globally for Research and Development, Beverages and PepsiCo Global Flavors. He has also held human resources positions at Exxon Argentina across the organization, from headquarters to operations in the field. Mr. Cabrera received a Bachelor's degree in Human Resources from Buenos Aires Salvador University in 1981.

Susan Green-Lorenzen, RN, System Senior Vice President – Operations (60). Ms. Green-Lorenzen was appointed to her current position in 2009 after serving as Vice President, Clinical Services since 2002. She began her career at the Medical Center in 1981 as a staff nurse and has held a variety of progressively responsible positions in the operation and management of perioperative services. She earned a Bachelor of Science degree in Nursing from the College of New Rochelle in 1981 and a Master of Science in Nursing from Pace University in 1986. She is certified by the American Nurses Credentialing Center as a Nurse Executive, and by the Competency Credentialing Institute as a Certified Perioperative Nurse.

Christopher S. Panczner, Esq., System Senior Vice President & Chief Legal Officer (55). Mr. Panczner was appointed as Senior Vice President and General Counsel in 2008. In September 2016, Mr. Panczner was

appointed System Senior Vice President and Chief Legal Officer. In this expanded role, Mr. Panczner leads the oversight of all legal, risk management, compliance and internal audit functions across MMC, MHS, AECOM and their various affiliates. Mr. Panczner served most recently as Senior Vice President and General Counsel at Saint Vincent Catholic Medical Centers during 2008. Prior to that position, he was a senior partner in the Health Care and Life Sciences Practice at Epstein Becker & Green, P.C. He received his Bachelor of Arts degree from the University of Chicago in 1986 and his Juris Doctor degree from the Loyola University Chicago School of Law in 1990 and is admitted to the bars of New York and Illinois.

Edward Pfleging, Senior Vice President – Facilities and Real Estate (56). Mr. Pfleging was appointed to his current position in 2015 after holding a variety of positions of increasing responsibility since joining the Medical Center in 1989 as a Manager in Engineering. He is a registered Professional Engineer in the State of New York, holds a Bachelor of Engineering degree from SUNY Maritime College (1986), a Master of Business Administration from Manhattan College (1998), and is certified as an Energy Manager and Energy Procurement Professional by the Association of Energy Engineers.

Andrew Racine, M.D., PhD., System Senior Vice President and Chief Medical Officer (67). Dr. Racine was appointed to his current position in 2012. He is certified by the American Board of Pediatrics and holds an academic appointment as Professor of Clinical Pediatrics at the Albert Einstein College of Medicine. Dr. Racine joined the Medical Center in 1992 as Chief of the Division of General Pediatrics (1992 to 2012). Before that, he served as Associate Director of Pediatrics at Jacobi Medical Center and as a faculty member in the Division of General Pediatrics at Columbia-Presbyterian Medical Center. He is a fellow of the American Academy of Pediatrics and of the New York Academy of Medicine. Dr. Racine completed his undergraduate education at Harvard University in 1974 and holds doctorates in medicine (1983) and economics (1987) from New York University. He trained at Harvard's Boston Children's Hospital and holds a Research Associate position at the National Bureau of Economic Research in New York City.

Stephen Rosenthal, Senior Vice President – Population Health Management (66). Mr. Rosenthal was appointed to his current position in 2015. Prior to his current position, Mr. Rosenthal served as Vice President of Network Management and Vice President of MMC Professional Services, where he developed and managed MMC's Faculty Practice of employed physicians. Earlier in his career, he practiced as a Clinical Audiologist. He is also an Associate in the Department of Epidemiology and Social Medicine at Albert Einstein College of Medicine. He received a Bachelor's degree and Master of Science degree from Brooklyn College in 1975 and 1976, respectively, and an MBA from Pace University in 1987.

Jack Wolf, Senior Vice President and Chief Information Officer (65). Mr. Wolf was appointed to his current position in 2017. Since 1988, he has held various positions at MMC, including Director of IT and Vice President and Chief Information Officer. Prior to joining Montefiore, Mr. Wolf worked in the retail and accounting industries. He received a Bachelor's degree in Accounting from William Patterson University (1976) and a Master's degree in Management/Finance from Rutgers University (1987). Mr. Wolf is a member of the Greater New York Hospital HIT Steering Committee and the Premier Alliance Healthcare HIT Steering Committee. He is an active member of The College of Health Information Management Executives and The Health Information Management Society.

Service Area and Market Share

For general services MMC's primary service area is Bronx County, New York, and its secondary service area is composed of the New York counties of Westchester, Rockland and Orange. For tertiary and quaternary services, MMC's primary service area includes all four of these counties.

Bronx County had an estimated population of 1,479,199 in 2018 according to the U.S. Census Bureau and is expected to be one of the fastest growing counties in the State between 2017 and 2022. Bronx County was the source of 85.9% of MMC's discharges in 2018; Westchester County, 6.5%; and Rockland and Orange Counties, a total of 1.4%. MMC's market share based on inpatient discharges for Bronx residents was 35.0% in 2017.

The following table sets forth for calendar years 2018 and 2017 market share by inpatient discharges from hospitals in New York State and Connecticut for patients residing in Bronx, Westchester, Rockland and Orange Counties. Comparable date of New Jersey is currently not available.

Market Share based on Inpatient Discharges from Hospitals in New York State and Connecticut for Patients Residing in Bronx, Westchester, Rockland and Orange Counties

	Year ended December 31,			
	2018		2017	
Total Market[1]	**379,396**	**100%**	**383,138**	**100%**
Montefiore Medical Center	**80,477**	**21.2%**	**80,473**	**21.0%**
Montefiore Health System				
White Plains Hospital	15,401	4.1%	15,153	4.0%
Montefiore Nyack	10,272	2.7%	10,690	2.8%
Montefiore St. Luke's Cornwall Hospital	7,786	2.1%	7,616	2.0%
Montefiore New Rochelle	6,095	1.6%	5,946	1.6%
Montefiore Mt. Vernon	3,007	0.8%	2,838	0.7%
Burke Rehabilitation	2,112	0.6%	1,796	0.5%
Total Montefiore Medical Center and MHS[1]	**125,150**	**33.0%**	**124,512**	**32.5%**
Other Montefiore Clinical Affiliates				
St Barnabas Hospital	13,546	3.6%	14,030	3.7%
St John's Riverside Hospital	12,948	3.4%	13,288	3.5%
St Joseph's Medical Center	6,423	1.7%	6,530	1.7%
Total Montefiore Medical Center, MHS & Clinical Affiliates[1]	**158,067**	**41.7%**	**158,360**	**41.3%**
Other Systems				
NYC Health + Hospitals[2]	47,959	12.6%	51,496	13.4%
NewYork-Presbyterian[3]	44,022	11.6%	43,115	11.3%
Westchester Medical Center Health Network[4]	31,807	8.4%	32,028	8.4%
BronxCare (formerly Bronx-Lebanon Hospital)	26,674	7.0%	27,640	7.2%
Northwell Health[5]	18,173	4.8%	17,713	4.6%
Garnet Health[6]	16,012	4.2%	15,820	4.1%
Mount Sinai Health System[7]	13,664	3.6%	14,445	3.8%
Yale New Haven Health[8]	6,161	1.6%	6,094	1.6%
NYU Langone Health[9]	3,453	0.9%	3,356	0.9%
All Other Hospitals	13,404	3.5%	13,071	3.4%

[1] Percentage totals may not foot due to rounding.

[2] Includes Jacobi, Lincoln, North Central Bronx, Harlem, Kings County, Coney Island, Queens, and Woodhull Hospitals

[3] Includes NewYork-Presbyterian Hospital (Columbia, Cornell, Lower Manhattan, Lawrence and Westchester Divisions), NYP/Hudson Valley, NYP/Brooklyn Methodist, and NYP/Queens

[4] Includes Westchester County Medical Center, Good Samaritan Suffern, Bon Secours, St. Anthony's Community, and Health Alliance Hospitals

[5] Includes Northern Westchester, Phelps, Lenox Hill, Long Island Jewish, North Shore University, and Staten Island University Hospitals

[6] Includes Orange Regional Medical Center and Catskill Regional

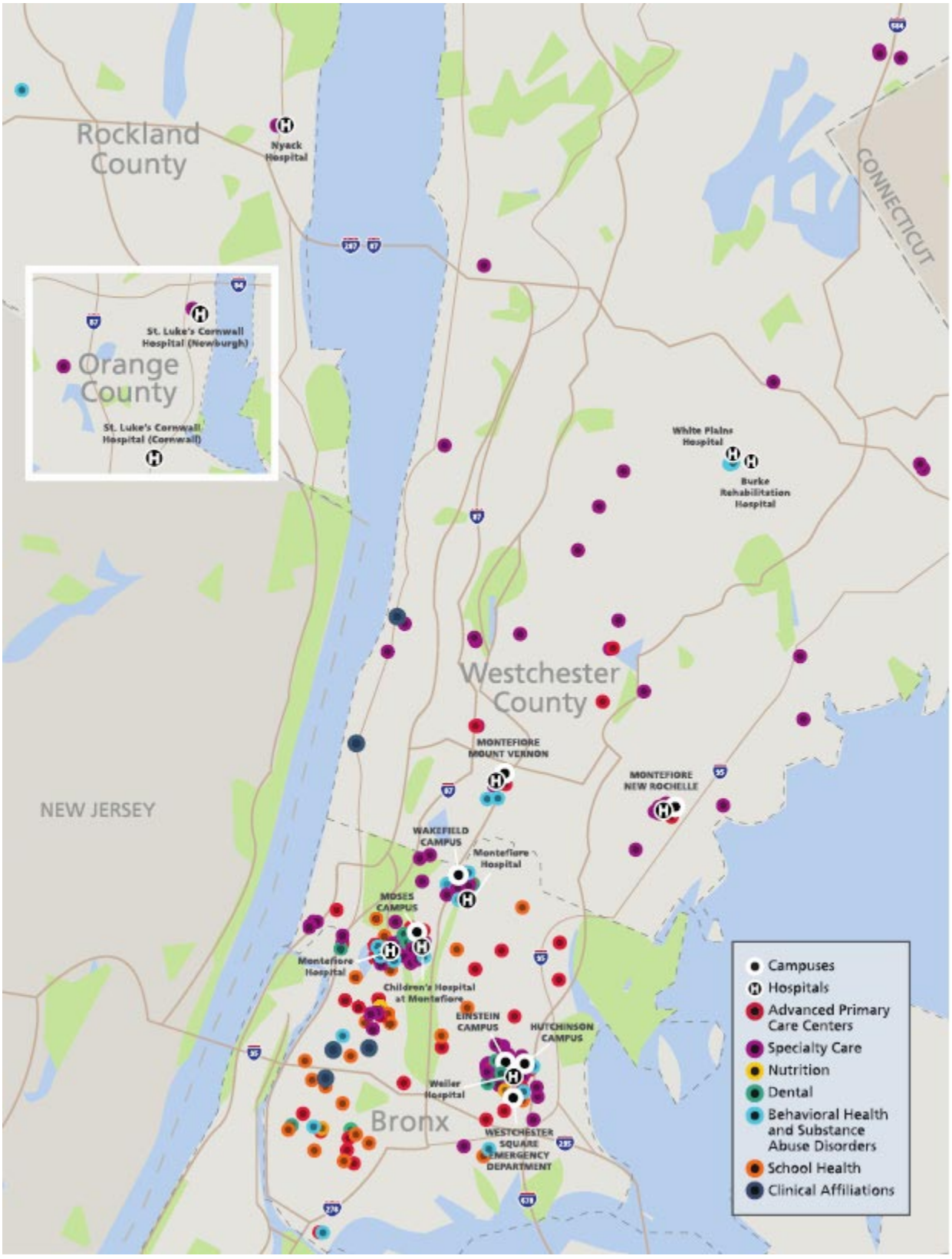
[7] Includes Mount Sinai, Mount Sinai West, Beth Israel, St. Luke's and New York Eye and Ear Hospitals

[8] Includes Greenwich, Bridgeport, and Yale-New Haven Hospitals

[9] Includes NYU Langone and Winthrop Hospitals

Source: 2017-2018 NY Statewide Planning and Research Cooperative System (SPARCS) Inpatient Audit Report and 2017-2018 Connecticut Hospital Association. Excludes newborn bassinets.

MHS Locations



Centers of Excellence; Awards and Distinctions

The Medical Center's Centers of Excellence include: the Montefiore Einstein Center for Cancer Care, The Children's Hospital at Montefiore ("CHAM"), the Montefiore Einstein Center for Heart and Vascular Care, and the Montefiore Einstein Center for Transplantation.

The Montefiore Einstein Center for Cancer Care's physicians are recognized for their work in developing strategies for cancer detection and delivering the most current treatments available. The Center provides therapies to patients through an integration of science and medicine with a focus on improving patient outcomes.

The Children's Hospital at Montefiore ranked nationally in six pediatric specialties by *U.S. News and World Report* 2019-2020 Best Children's Hospital Rankings, including Gastroenterology and GI Surgery, Neonatology, Nephrology, Neurology and Neurosurgery, Orthopedics and Urology.

The Montefiore Einstein Center for Heart and Vascular Care has a tradition of clinical excellence and research leadership in adult and pediatric cardiology and cardiovascular surgery. The Medical Center continues to be a leader in heart rhythm disorders, interventional and minimally invasive cardiac procedures, and the use of ventricular assist devices for the treatment of heart failure. MMC is a resource for patients requiring complex, high-risk procedures such as mitral and aortic valve repair, abdominal and thoracic aortic aneurysm repair and heart transplantation for both children and adults.

With over 40 years of leadership in transplantation, the Montefiore Einstein Center for Transplantation is committed to the care of adult and pediatric transplant patients with conditions affecting the heart, liver, kidney, lung and pancreas.

Other awards and distinctions include the following:

- The Medical Center ranks in the top ten hospitals both in the New York State and the New York Metro area in the *U.S. News and World Report* 2019-2020 Hospital Rankings.

- The Montefiore Einstein Center for Cancer Care was selected by the Centers for Medicare and Medicaid Services ("CMS") to participate in a new care delivery model, the Oncology Care Model, for higher quality, more coordinated cancer care. In addition, it has earned one of the highest honors for a cancer center, a three-year accreditation with Gold Level Commendation from the Commission of Cancer of the American College of Surgeons.

- Most of Montefiore Medical Group sites are Level 3 Patient Centered Medical Homes recognized by the National Committee on Quality Assurance.

- The Medical Center is regularly recognized as one of Health Care's Most Wired hospitals for demonstrating excellence in health care information technology. It most recently received this recognition in the 2019 rankings by The College of Healthcare Information Management Executives.

- The Medical Center has achieved Gold Star Status as part of the New York City Department of Health and Mental Hygiene's Tobacco-Free Hospitals Campaign, an initiative developed to support hospitals throughout the city in implementing comprehensive quit-tobacco systems.

- MMC is one of only seven organizations nationwide to be named a Young Adult Employer Champion by The National Fund for Workforce Solutions.

- The Medical Center and MHS's commitment to providing equitable healthcare to LGBTQ patients and a safe, inclusive workplace environment for associates has been recognized by its designation as a Leader in LGBTQ Healthcare Equality in the Human Right's Campaign's Health Equality Index 2019.

- The Medical Center earned "Gold Star" recognition (the highest award possible) for its participation in the Healthy Hospital Food Initiative run by the New York City Department of Health and Mental Hygiene.

- The Medical Center's Cardiac Surgery Program at the Montefiore Einstein Center for Heart and Vascular Care has received the highest three-star rating by the Society of Thoracic Surgeons.

Community Benefit

MMC and MHS are guided by their mission and charitable purpose to provide charity care and other community benefit programs. These activities include access to medically necessary treatment for individuals unable to pay for services, care provided under means-tested government insurance programs that reimburse healthcare providers at less than the cost of the services provided, education for future health providers, research to advance knowledge and other programs designed to meet local community needs. Measurement of these activities follows IRS reporting guidelines. In 2018, it is estimated that MMC provided more than $580 million in community benefit programs and services, representing approximately 15% of operating expenses.

The Medical Center is committed to serving all patients in need of health care services. Consistent with its mission and values and considering an individual's ability to pay for medically necessary health care services, MMC provides charity care, including free or discounted care, to all patients not covered by insurance. A key aspect of the policy includes assisting patients in obtaining insurance they are eligible to receive.

The Medical Center maintains a community service plan as part of its mission to advance the health of the communities it serves. MMC assesses the needs of its community through participation in advisory boards and linkages with community-based groups. On a regular basis, MMC reports to community groups on its performance and services, the status of programs, financial and utilization statistics, and the plan for and implementation of community services. The Montefiore Office of Community and Population Health seeks to maximize the impact of the Medical Center's community services and helps to assess community needs by its various initiatives, including: supporting and coordinating MMC's diverse portfolio of community health improvement programs and activities; enhancing MMC's capacity to assess and measure the health needs of the communities MMC serves; identifying and selecting top-priority health needs in these communities for specific focus; and leading and coordinating System-wide community service activities.

Beyond the formal structure that the Medical Center and MHS have established to gain input from the communities they and their affiliates serve, they participate in a variety of other organized partnerships and collaboratives, working with other providers in the Bronx, Westchester, Rockland and Orange Counties, the County Departments of Health, community-based organizations and members of the community in planning and developing initiatives aimed at improving the health of their patient populations.

MMC is a member of The Bronx Collaborative, Inc., a not-for-profit corporation established in 2010 to provide a forum to identify and explore ways to (i) improve the quality of health care services, resources and facilities in the Bronx, (ii) improve access to and utilization of health care resources, (iii) improve patient outcomes, and (iv) reduce health care costs and insurance rates. Other members include Bronx-based health care providers and third-party payors.

The Medical Center is a participant in The Bronx Regional Health Information Organization ("Bronx RHIO"), a clinical information exchange established and governed by many of the Bronx's leading healthcare organizations, including the Medical Center. Participants in the collaborative include hospitals, health systems, ambulatory care centers, individual physician offices, long-term care, home care, and community organizations. These organizations utilize the Bronx RHIO to securely access information which leads to improvements in treatment, outcomes, and costs. The Bronx RHIO is part of the Statewide Health Information Network for New York.

Existing Facilities and Mortgaged Property

All of MMC's inpatient facilities are located at the Moses Campus, the Weiler Campus, and the Wakefield Campus. Ambulatory care facilities are located at the three inpatient hospitals, a medical office building adjacent to the Moses Campus, the Montefiore Medical Park (a facility several blocks from the Weiler Campus), the Comprehensive Health Care Center at 305 East 161st Street, Bronx, New York, the Westchester Square Campus, the Hutchinson Campus, and numerous off site locations principally in the Bronx and Westchester County. Administrative space is located at the Moses and Weiler Campuses, as well as in several leased office buildings in the Bronx and Westchester. MMC leases the site of the Weiler Campus from Yeshiva University and AECOM under a lease expiring in 2114.

In accordance with the Master Indenture, the Medical Center is required to grant a mortgage lien on certain of its facilities to the Master Trustee to secure on an equal and ratable basis all Obligations issued and outstanding. Mortgages were granted in connection with Obligations No. 1, No. 2, No. 3 and No. 4. A supplemental mortgage

will be granted with the issuance of the 2020 Obligations. The facilities mortgaged are the Moses Division's primary patient care facilities and two of its parking garages, as identified in the table below under the heading "Moses Division" (collectively, the "Mortgaged Property"). The patient care facilities subject to the mortgages total approximately 1.1 million square feet of space.

The following table sets forth the principal patient care buildings operated by the Medical Center at its three inpatient sites, the square footage, the year of construction or last major renovation and the principal services contained therein.

Montefiore Medical Center – Principal Patient Care Facilities on Inpatient Campuses

Building	Square footage	Year of construction or last major renovation	Principal services provided
Moses Division			
Foreman Pavilion	294,981	2015	Inpatient facilities, emergency room, operating rooms, laboratory and other patient care services
Northwest Building	126,289	2007	Inpatient facilities
Children's Hospital	123,949	2007	Inpatient facilities, emergency room, operating rooms and other patient care services
Greene Medical Arts Pavilion	118,318	1997	Outpatient care
Central Pavilion	101,325	2014	Other patient care services and support services
Klau Pavilion	79,151	2014	Inpatient and outpatient services
Diagnostic and Treatment Center	36,328	2006	Outpatient care
Rosenthal Southeast Pavilion	36,069	2019	Outpatient services and support services
Service Building	35,660	2012	Support Services
Rosenthal South Pavilion	30,887	2007	Other patient care services and outpatient care
Storage Building	33,410	2007	Support services
Moses Research Tower	40,798	2007	Research facilities
Hofheimer Pavilion	28,173	2017	Other patient services and support services
Schiff Building	14,457	2006	Outpatient care
Total Square footage	1,099,795		
210th Street Parking Garage		1979	Parking
Medical Arts Pavilion Garage		1995	Parking
Wayne Avenue Parking Garage[1]		1997	Parking
Wakefield Division			
Wakefield Division	335,928	2015	Inpatient facilities, emergency room, operating rooms, laboratory and other patient care and support services
Carpenter Avenue Medical Pavilion	54,724	2009	Outpatient care
Rosalie Hall	20,315	1980	Unoccupied
Weiler Division			
Weiler Division	433,454	2014	Inpatient facilities, emergency room, operating rooms, laboratory and other patient care and support services
Surface Parking			Parking

[1] Not part of the mortgaged property.

The Weiler Division is leased by AECOM and Yeshiva University to the Medical Center under a lease with a term through 2114. Upon the subdivision of the tax lot on which Weiler Hospital is located, AECOM will convey fee title to the Weiler Campus to the University. AECOM will retain title to the remainder of the parcel (on which various Medical School facilities are located). The Weiler Hospital site is currently subject to a mortgage securing bonds issued for the benefit of AECOM. The Weiler site will be released from this mortgage once the subdivision is completed. After the parcel is subdivided and the Weiler site is reconveyed, the University will become the sole landlord under the lease to the Medical Center.

Services and Programs

MMC offers a broad range of diagnostic and therapeutic services for adults and children on an inpatient and outpatient basis. MMC's certified bed complement (excluding bassinets) includes the following services:

	MMC Certified Bed Complement[1]			
	Moses Campus	Weiler Campus	Wakefield Campus	Total MMC
Medical-Surgical	581	304	206	1,091
AIDS	13	-	-	13
Intensive Care	48	22	16	86
Coronary Care	12	10	-	22
Bone Marrow Transplant	4	-	-	4
Pediatric	116	-	5	121
Pediatric Intensive Care	20	-	-	20
Maternity	-	50	30	80
Neonatal Care	-	35	15	50
Psychiatric	22	-	33	55
Rehabilitation	-	-	16	16
Total	816	421	321	1,558

[1] As of January 1, 2020.

MMC is licensed to operate multiple ambulatory care facilities in the Bronx and southern Westchester County offering, among other services, primary and specialty medical care, imaging, dental, behavioral health and substance use disorders services, school health services, and ambulatory surgery.

MMC operates 24-hour emergency departments at all three inpatient campuses as well as the Westchester Square campus, which is home to one of the first freestanding emergency departments in New York State.

Medical and Dental Staff

MMC's employed medical staff is organized into two managerial areas, the Montefiore Medical Group (the "Medical Group") and the Faculty Practice Group (the "FPG"). The Medical Group was founded in the 1940's as a group model HMO covering certain NYC union employees. It has grown into a 19-site practice primarily providing primary care services. In addition, the Medical Group manages an extensive network of School Based health clinics throughout the Bronx. The FPG consists of the physicians of 21 clinical departments of the Medical Center. The Chairs of those departments, in most instances, are Chairs of the corresponding academic department at the College of Medicine. Most of the FPG physicians have academic appointments at the College of Medicine and are involved in the teaching of medical residents and medical students. All Medical Group and FPG physicians are employed by MMC and follow MMC's financial aid policy, and all are members of The Montefiore IPA, Inc., an independent practice association which facilitates MMC's pursuit of its accountable care strategy.

The Medical Center has agreements with organizations, including hospitals of which MHS is the sole corporate member, to provide clinical services. Under these arrangements, physicians employed by the Medical Center provide services at facilities operated by such other organizations, and the Medical Center receives payment from such organizations or bills directly for the services provided. Currently, specialists are provided in the areas of cardiology, obstetrics, neonatology, pediatric surgery, otolaryngology, psychiatry, gastroenterology and pathology. MMC is exploring additional clinical affiliations and plans to increase these arrangements in the future.

As of September 30, 2019, there were 2,804 physician and dentist members of the medical and dental staff at MMC holding appointments in four categories: full time (1,701), part time (213), per diem (188) and voluntary (702). The medical and dental staff is organized into 21 clinical departments: family medicine, medicine (which includes the specialties of cardiology and gastroenterology), pediatrics, oncology, neurology, obstetrics & gynecology, ophthalmology, orthopedic surgery, surgery, cardiothoracic surgery, dentistry, neurosurgery, otolaryngology, urology, anesthesiology, pathology, psychiatry, rehabilitation medicine, radiation oncology, emergency medicine and radiology. Numerous specialties and subspecialties are represented within the 21 departments. As of September 30, 2019, approximately 85.9% of the medical and dental staff were board certified and their average age was approximately 51.2 years.

Following is a summary by clinical department of the number of full-time, part-time and voluntary physicians/dentists, their average age and the percentage of department staff who are board certified:

Medical and Dental Staff Composition as of September 30, 2019

Clinical Department	Number of Physicians/Dentists	Average Age	Percent Board Certified
Anesthesiology	100	45.9	81.0%
Cardiovascular and Thoracic Surgery	23	54.1	87.0
Dentistry	79	51.7	46.8
Emergency Medicine	125	44.0	84.0
Family Medicine	159	49.2	84.3
Medicine	904	51.7	86.7
Neurological Surgery	13	53.0	69.2
Neurology	87	50.4	96.6
Obstetrics & Gynecology and Women's Health	131	47.6	74.0
Oncology	67	55.5	95.5
Ophthalmology and Visual Sciences	101	58.0	94.1
Orthopedic Surgery	53	51.9	84.9
Otolaryngology, Head & Neck Surgery	41	54.2	90.2
Pathology	57	49.5	96.5
Pediatrics	440	50.8	88.2
Psychiatry and Behavioral Sciences	132	52.6	85.6
Radiation Oncology	15	48.5	93.3
Radiology	99	51.2	90.9
Rehab Medicine	66	53.7	95.5
Surgery	76	55.0	84.2
Urology	36	56.9	86.1
Total	2804	51.2	85.9%

Source: Medical Center Records

The following table shows the breakdown of discharges by major specialty grouping at MMC for calendar years 2016, 2017 and 2018, and for the nine months ended September 30, 2018 and 2019.

Montefiore Medical Center
Percent of Discharges by Major Specialty Groupings

	Year Ended December 31,			Nine Months Ended September 30,	
Major Specialty Grouping	**2016**	**2017**	**2018**	**2018**	**2019**
Medical	58.0%	59.0%	60.0%	60.3%	61.3%
Surgical	14.7	15.1	14.7	14.7	15.2
Pediatrics[1]	10.6	10.3	10.1	9.8	9.7
Maternity	9.6	8.8	8.4	8.5	7.6
Psychiatric & Rehabilitation	1.5	1.5	1.6	1.5	1.6
Newborn	5.7	5.2	5.2	5.2	4.7
TOTAL[2]	100.0%	100.0%	100.0%	100.0%	100.0%

[1] Pediatrics includes the neonatal intensive care unit and adolescents.
[2] Totals may not foot due to rounding.
Source: Medical Center Records

Utilization

A summary of MMC's historical utilization data for the calendar years ended December 31, 2016, 2017 and 2018, and for the nine months ended September 30, 2018 and 2019 is presented in the following table:

	Year Ended December 31,			Nine Months Ended September 30,	
Utilization	**2016**	**2017**	**2018**	**2018**	**2019**
Licensed beds	1,536	1,558	1,558	1,558	1,558
Discharges[1]	89,138	88,178	89,171	67,535	66,082
Patient days[1]	504,173	514,698	507,102	381,745	385,442
Average length of stay (days)[1]	5.7	5.8	5.7	5.7	5.8
Case mix index[2]	1.49	1.56	1.54	1.54	1.58
Average % occupancy[1]	89.6%	90.3%	89.2%	90.1%	91.0%
Emergency room visits[3]	266,349	255,286	253,935	190,652	187,542
Ambulatory procedures	46,477	48,654	48,464	36,411	37,390
Montefiore Medical Group Primary Care visits	788,942	783,487	798,162	590,857	597,935
Home Care Visits	191,652	205,004	191,684	137,343	116,379
Faculty Practice Group Physician Work Relative Value Units[4]	5,542,744	5,497,417	5,706,196	4,285,124	4,395,559

[1] Excludes newborn bassinets.
[2] Case mix valued at the federal MS DRG grouper.
[3] Excludes patients seen in emergency department and admitted to the Medical Center.
[4] RVUs are used in determining a Medicare fee to measure the resources used to provide physician services. Physician work RVUs, specifically. account for, among other things, the time, technical skill and effort of a physician to provide a service. Other RVUs account for other elements of providing services, including nonphysician labor, overhead, and insurance premiums.
Source: Medical Center Records

Management's Discussion and Analysis of Utilization

MMC discharges decreased by 960 (1.1%) from 2016 to 2017 primarily due to a decrease in obstetrics/gynecology and pediatric service line discharges. MMC discharges increased by 993 (1.1%) from 2017 to 2018 primarily due to increases in medical care center service line discharges. Patient days increased by 10,525 (2.1%) in 2017 over 2016 and decreased by 7,596 (1.5%) in 2018 over 2017, mainly affected by the level of patient complexity from year-to-year. Case mix index increased from 1.49 in 2016 to 1.56 in 2017 and decreased to 1.54 in 2018. Overall occupancy decreased from 89.6% in 2016 to 89.2% in 2018.

Emergency Department visits decreased by 4.7% in the two-year period from 266,349 in 2016 to 253,935 in 2018 due to focused efforts to provide alternatives to emergency room care. Ambulatory procedures and Montefiore Medical Group primary care visits increased 4.3% and 1.2%, respectively from 2016 to 2018 due to program expansions. Home care visits remained constant over the two-year period due to the continued transition of home care services to managed care plans. Physician work RVUs in the Faculty Practice increased over 2016 levels by 3.0% due to program growth.

For the nine months ended September 30, 2019, MMC discharges decreased by 1,453 (2.2%) compared to the prior year period, due primarily to a decrease in obstetrics/gynecology and pediatric service line discharges. Patient days increased 1.0% compared to the prior year period primarily due to higher intensity. During the nine months ended September 30, 2019, case mix index increased by 2.6% compared to the prior year period. Overall occupancy increased from 90.1% to 91.0% compared to the prior year period.

Emergency Department visits decreased by 3,110 (1.6%) in the period due to focused efforts to provide alternatives to emergency room care for non-emergency visits and a lighter flu season. Montefiore Medical Group primary care visits increased by 7,078 (1.2%) over the prior year and home care visits decreased by 15.2% over the period due to the continued transition of home care services to managed care plans. Physician worked RVUs in the Faculty Practice increased by 2.6% due to program growth.

Summary of Consolidated Historical Revenues and Expenses

The following Summary of Consolidated Historical Revenues and Expenses of the Medical Center for the three years ended December 31, 2016, 2017 and 2018 was derived from the Medical Center's consolidated financial statements which have been audited by Ernst & Young LLP, independent auditors. The summary of consolidated historical revenues and expenses should be read in conjunction with the audited consolidated financial statements and the related notes of the Medical Center included in Appendix B-1 to this Official Statement.

The following Summary of Consolidated Historical Revenues and Expenses of the Medical Center for the nine months ended September 30, 2018 and 2019 was derived from the unaudited consolidated interim financial statements of the Medical Center included in Appendix B-2 to this Official Statement. Such unaudited consolidated information includes all adjustments, consisting of normal recurring accruals, which the Medical Center considers necessary for a fair presentation of the financial position and the results of operations for these periods. The results for the nine months ended September 30, 2019 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2019. This summary of consolidated historical revenues and expenses should be read in conjunction with the unaudited consolidated interim financial statements and related notes included in Appendix B-2 to this Official Statement.

As more fully discussed in Note 1 to the 2018 audited consolidated financial statements included in Appendix B-1 to this Official Statement, the audited consolidated financial statements and the summary of consolidated historical revenues and expenses presented below, include financial performance information with respect to the Medical Center and the subsidiary organizations controlled by the Medical Center. The subsidiary organizations are not parties or obligors with respect to Obligations issued under the Master Indenture, including the 2020 Obligations, or for other debt of the Medical Center. For the year ended December 31, 2018, the Medical Center represented 97.5% of operating revenue and 99.2% of total assets of the Medical Center and its consolidated subsidiaries.

In March 2017, the Medical Center transferred to MHS all the Medical Center's interest in Montefiore Consolidated Ventures, Inc. and its subsidiaries ("MCV"). MCV primarily consists of the System's risk-based payment arrangements, including the Montefiore ACO and the integrated provider associations. The transfer was done in recognition that with the growth of the System, these functions properly belonged under MHS rather than MMC. See "Organization Chart of the Montefiore Medicine Academic Health System, Inc." above.

Although the transfer moved a significant amount of revenue from MMC to MHS ($288.5 million in 2016; $51.6 million in 2017), it was offset by an almost equivalent amount of expense transfer, and as a result did not have a material effect on the financial results of the Medical Center. In 2016, the last full year that MCV was included in MMC, it contributed approximately $3.2 million to net operating income, and for the two months during 2017, $1.5 million. At the time of the transfer, MCV had a net deficiency of $41.4 million, which was transferred to MHS, which increased MMC's consolidated net assets. The effects are discussed below in Management's Discussion and Analysis of Financial Performance, particularly with respect to how the periods after the MCV transfer compare to prior periods that include it within MMC.

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MONTEFIORE MEDICAL CENTER

Summary of Consolidated Historical Revenues and Expenses
(in thousands)

	Year Ended December 31,			Nine months ended September 30,	
	2016	**2017**	**2018**	**2018**	**2019**
		(audited)		(unaudited)	
Operating revenue					
Net patient service revenue	$3,597,261	$3,412,920	$3,499,992	$2,618,250	$2,786,642
Other operating revenue	285,207	349,927	416,350	282,374	300,857
Total operating revenue	3,882,468	3,762,847	3,916,342	2,900,624	3,087,499
Operating expenses					
Salaries and wages	1,730,837	1,761,775	1,849,552	1,373,858	1,448,312
Employee benefits	467,825	506,502	528,011	389,099	435,857
Supplies and other expenses	1,470,653	1,283,949	1,338,110	974,429	1,032,537
Depreciation and amortization	148,955	150,921	150,151	117,612	110,880
Interest	34,589	32,078	48,585	29,804	52,902
Total operating expenses	3,852,859	3,735,225	3,914,409	2,884,802	3,080,488
Excess of operating revenues over operating expenses before other items	29,609	27,622	1,933	15,822	7,011
Net realized and changes in net unrealized gains and losses on marketable and other securities	11,224	37,141	(14,945)	9,689	34,915
Malpractice insurance program adjustments	(1,209)	1,209	49,354	42,278	31,095
Gain on sale of equity interest in captive insurance company	-	-	-	-	32,747
Net periodic pension and other postretirement benefit costs (non-service related)	(8,841)	(9,444)	(11,845)	(8,858)	(15,756)
Gain on debt refinancing	4,604	-	2,134	2,134	-
Excess of revenues over expenses	**35,387**	**56,528**	**26,631**	**61,065**	**90,012**
Change in defined benefit pension and other postretirement plan liabilities to be recognized in future periods	6,720	(16,678)	9,485	-	5,759
Net assets released from restrictions used for purchases of property, buildings and equipment	109	-	-	-	-
Other changes in net assets without donor restrictions	-	-	-	-	11,439
Transfer of Montefiore Consolidated Ventures, Inc. to MHS[1]	-	41,435	-	-	-
Increase in net assets without donor restrictions[2] before transfers to/from affiliates[3]	**$ 42,216**	**$ 81,285**	**$ 36,116**	**$ 61,065**	**$ 107,210**

[1] On March 1, 2017, the Medical Center assigned and transferred all its right, title and interest in the shares of common stock of Montefiore Consolidated Ventures, Inc. ("MCV") to MHS. Accordingly, the activities of MCV are included in the operating results of the Medical Center through the date of transfer.

[2] On December 31, 2018, the Medical Center adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* and applied its provisions retrospectively to prior periods presented. As a result, amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions.

[3] In 2016, 2017 and 2018, the Medical Center transferred a net $64.5 million, $37.9 million and $140.0 million, respectively to affiliates which were recorded as decreases in net assets without donor restrictions. For the nine months ended September 30, 2018 and 2019, the net amounts transferred were $29.0 million and $70.6 million, respectively.

Source: Audited Consolidated Financial Statements of the Medical Center as of and for the years ended December 31, 2016, 2017 and 2018, and Unaudited Consolidated Interim Financial Statements of the Medical Center as of and for the nine months ended September 30, 2018 and 2019.

Management's Discussion and Analysis of Financial Performance

Year ended December 31, 2017 compared to year ended December 31, 2016

For the year ended December 31, 2017, excess of revenues over expenses before other items totaled $27.6 million compared with $29.6 million for the year ended December 31, 2016, a decrease of $2.0 million. This reflected a decrease in total operating revenue of $119.6 million or 3.1%, which was approximately the same as the decrease in total operating expenses of $117.6 million or 3.1%. For the year ended December 31, 2017, excess of revenues over expenses totaled $56.5 million compared with $35.4 million for the year ended December 31, 2016, an increase of $21.1 million or 59.7%. This increase was due primarily to investment returns, as discussed below.

In 2017, total operating revenue was $3.8 billion as compared to $3.9 billion in 2016, a decline of $119.6 million or 3.1%. This was due primarily to the transfer to MHS by the Medical Center of its interest in MCV, which took place in March 2017. See discussion above under "Summary of Consolidated Historical Revenues and Expenses." MCV primarily consists of Montefiore's care management functions. The transfer of MCV accounted for a reduction in total operating revenue in 2017 of $236.8 million. Removing the impact of the MCV transfer, total operating revenue would have increased by $117.2 million or 3.3%.

Net patient service revenue declined $184.3 million or 5.1%, comparing the year ended December 31, 2017 to the year ended December 31, 2016. The transfer of MCV caused a decline of $264.5 million in net patient service revenue; without this transfer, the Medical Center would have recorded an increase in net patient service revenue of $80.2 million or 2.4%. Outpatient net patient service revenue represented a majority of the increase in net patient service revenue indicative of a focus on outpatient services, including physician practices, clinics, and in ambulatory surgery. Other operating revenue increased $64.7 million in 2017 as compared to 2016. This increase can be attributed to Delivery System Reform Incentive Payment ("DSRIP") revenue (see "Medicaid Redesign," below), and revenue derived from the Medicaid Health Home program, both of which are substantially offset by related operating expenses and offset by $27.6 million resulting from the MCV transfer. Revenue from ancillary services was consistent with the prior year.

For the year ended December 31, 2017, total operating expenses decreased $117.6 million or 3.1% over the year ended December 31, 2016. The transfer of MCV caused a decline of $241.5 million; without this, operating expenses would have increased by $123.8 million or 3.5%. Salaries and wages increased by $30.9 million or 1.8%. Increases in personnel costs are attributable to wage and salary increases for both management and non-management employees that averaged approximately 3.5%. These rate increases were offset by a decline in full-time equivalent employees ("FTEs") during 2017 as management commenced a multi-year process to slow the growth in expense base, and a reduction of approximately $10.3 million due to the MCV adjustment noted above. Employee benefits increased by $38.7 million or 8.3% and as a percentage of salaries and wages from 27.0% in 2016 to 28.7% in 2017. These increases have been largely driven by contractual commitments in union contracts. Supplies and other expenses decreased by $186.7 million or 12.7%, primarily due to the transfer of MCV of $227.9 million. Without the MCV adjustment, supplies and other expenses would have increased by $51.8 million or 4.3%. Depreciation and amortization expense increased by $2.0 million or 1.3%, and interest expense declined $2.5 million or 7.3% due to a restructuring of certain debt that occurred during 2016.

For the year ended December 31, 2017, the increase in net assets without donor restrictions before transfers to/from affiliates totaled $81.3 million, a $39.1 million or 92.5% increase over 2016. This was due primarily to the substantial increase in excess of revenues over expenses and transferring the net asset deficit of MCV to MHS.

Year ended December 31, 2018 compared to year ended December 31, 2017

For the year ended December 31, 2018, MMC had an excess of operating revenue over expenses before other items of $1.9 million as compared to $27.6 million in the prior year, a decline of $25.7 million. Expenses increased 4.8% while revenues increased 4.1%. The excess of operating revenue over expenses was $26.6 million, which was a decrease of $29.9 million, as compared to $56.5 million for the year ended December 31, 2017. The decline was driven by the aforementioned decrease in operating income, and a net decline of $52.1 million of net realized and changes in net unrealized gains and losses on marketable and other securities against an approximate $48.1 million increase in excess of revenue over expense due to the participation in a pooled malpractice insurance program. As part owner, MMC recognizes its share of an investment in this program using the equity method of accounting.

Total operating revenue increased by $153.5 million, or 4.1% as compared to the prior year from $3.763 billion to $3.916 billion. Removing the impact of the MCV transfer, total operating revenue would have increased by $205.1 million or 5.5%.

Net patient service revenue has increased $87.1 million from $3.4129 billion to $3.5000 billion or 2.6%. The increase can be attributed to both inpatient and outpatient revenue. Discharges increased 1.1% over the prior year, and there were higher payment rates as compared to the prior period. Outpatient revenue was driven by increased physician practice revenue and other ambulatory revenue. Without the MCV transfer, MMC would have recorded an increase in net patient service revenue of $140.9 million, or 4.2%.

Other operating revenue is $66.4 million higher than the prior year, increasing from $349.9 million to $416.4 million. The largest drivers of this increase were an increase of $17.3 million for care management fees earned, an increase of $15.5 million in interest and dividend income due to the increase in cash and investments subsequent to the 2018 debt offering, and an increase of equity earnings of $11.0 million from MMC's interest in HIC and FOJP (as defined and further described below).

Total operating expenses increased by $179.2 million or 4.8% as compared to the prior year from $3.7352 billion to $3.9144 billion. Without the MCV transfer, total operating expenses would have increased by $229.4 million, or 6.2%. Salaries and benefits have increased $109.3 million or 4.8%. FTEs have increased by 1.2% due mainly to growth in the ambulatory platform, and increased volumes. Contractual rate increases were given to union employees, and non-union employees received merit increases. Employee benefits increased 4.2%, due mainly to contractual increases. Benefits as a percentage of salaries have declined from 28.7% to 28.5%.

Supplies and other expenses increased $54.2 million or 4.2%. Without the MCV transfer, supplies and other expenses would have increased $101.5 million or 8.2%. The increase is primarily related to an increase in medical and surgical supply costs, including pharmaceutical costs, pertaining to the increased volume in 2018. Interest expense has increased by $16.5 million relating to the new debt incurred as a part of the 2018 offering.

For the year ended December 31, 2018, other changes in net assets without donor restrictions decreased by $117.3 million. This change was primarily due to funding provided to other members of the System, mainly relating to AECOM to meet its operational needs, and the reserving of a loan to AECOM for funding from previous years, and to MHS. There was also a $41.4 million increase in other changes in net assets due to the assignment of the MMC's rights and interest in the common stock of MCV to MHS.

Nine months ended September 30, 2019 compared to nine months ended September 30, 2018

For the nine months ended September 30, 2019, MMC had an excess of operating revenue over expenses before other items of $7.0 million as compared to $15.8 million in the prior year, a decline of $8.8 million.

Total operating revenue increased by $186.9 million, or 6.4% as compared to the prior year from $2.9006 billion to $3.0875 billion.

Net patient service revenue has increased $168.4 million from $2.6182 billion to $2.7866 billion or 6.4%. The increase was mainly attributed to outpatient and premium revenue. The 1.4% increase in inpatient revenue over the prior year is the result of higher payment rates as compared to the prior period and an increase in overall case-mix, despite a decrease in discharges of 2.2%. Outpatient revenue has increased 10.2% and was driven by an increase in volume and payment rates at the Faculty Practices, along with an increase in hospital-based clinic visits and ambulatory volume. Premium revenue increased 53% over the prior year due to a new reimbursement methodology implemented within one of our significant capitated risk arrangements. The increase also resulted from favorable development in estimated claims and IBNR within the same capitated risk arrangement.

Other revenue is $18.5 million higher than the prior year, increasing from $282.4 million to $300.9 million. The largest drivers of this increase is an increase of $11.0 million in interest and dividend income due to the increase in cash and investments subsequent to the 2018 debt offering, which occurred in August 2018, and a $7.3 million increase in grant income, for which there is an associated expense increase.

Total operating expenses have increased by $195.7 million or 6.8% as compared to the prior year from $2.8848 billion to $3.0805 billion. Salaries and wages have increased $74.5 million or 5.4%. FTEs have increased by 3.1% due to a combination of investments in new complex care programs such as lung transplants, and to allow nursing staff to perform more bedside care. Contractual rate increases were given to union employees, and non-union employees received merit increases. Employee benefits increased $46.8 million or 12.0%, due mainly to

contractual increases in pension benefits and increases in employee medical claim costs. Benefits as a percentage of salaries have increased from 28.3% to 30.1%.

Supplies and other expenses increased $58.1 million or 6.0%. There was an increase in medical related supply expenses also relating to the more complex care we are providing driven again by the increase in medical complexity and also the launching of a CAR-T cell treatment program. MMC also continues to make investments in our information technology platform and other infrastructure related costs. Interest expense has increased by $23.1 million relating to the new debt incurred as a part of the 2018 offering.

The excess of revenues over expenses was $90.0 million in 2019 compared to $61.1 million in 2018, an increase of $28.9 million. The increase is primarily a result of a gain of $32.7 million on the sale of an equity interest in Hospitals Insurance Company ("HIC") and FOJP Service Corporation ("FOJP") to The Doctors Company. HIC is a New York State admitted and licensed insurance company and FOJP is a service organization that provides third party comprehensive insurance and risk management advisory services. Both HIC and FOJP were founded by MMC and certain other not-for-profit hospitals in New York City.

For the nine months ended September 30, 2019, net assets decreased by $24.4 million for other changes. Transfers to members of the Montefiore Health System, primarily relating to funding provided to AECOM to meeting is operational needs and to other affiliates, increased by $41.6 million.

Note regarding the two-months ended November 30, 2019

At November 30, 2019, there was a decrease of $42.6 million in consolidated net assets as compared to amounts shown in the September 30, 2019 unaudited consolidated statement of financial position. Transfers to other members of the Montefiore Health System were $24.6 million during the two-month period ended November 30, 2019. During this period, the excess of expenses over revenue was $13.1 million. There was a negative adjustment to consolidated net assets of $13.0 million relating to the adoption of the new lease accounting standard. These were somewhat offset by $9.5 million in investment income.

Sources of Net Patient Service Revenue

The major portion of the Medical Center's net patient service revenue is derived from third party payors. The Medical Center provides services to patients insured under the Medicare and Medicaid programs as well as by Empire Blue Cross and Blue Shield and other commercial insurance companies. The following table shows the percent of net patient service revenue by payor source for the years ended December 31, 2016, 2017 and 2018, and for the nine months ended September 30, 2018 and 2019.

Net Patient Service Revenue by Payor Source

	Year Ended December 31,			Nine months ended September 30,	
	2016	2017	2018	2018	2019
Medicaid and Medicaid Managed Care	31.8%	32.8%	34.8%	34.7%	32.3%
Medicare and Medicare Managed Care	32.3	33.4	32.4	32.3	32.8
Commercial, including Commercial Managed Care	34.8	32.8	32.0	32.2	33.9
Other	1.1	1.0	0.8	0.8	1.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Medical Center Records

The Medical Center has multiyear contracts with major third-party insurers, including its top three commercial and managed care payors: Empire Blue Cross and Blue Shield, United Healthcare/Oxford, and Aetna.

Managed and Accountable Care Arrangements

Since 1995, MMC has pursued a managed care strategy in which it accepts fixed payment for an enrolled population and takes the financial responsibility to provide, directly and indirectly, the healthcare services for that population. This strategy encouraged the development of innovative population health management tools to provide services in a cost-efficient manner and was able to deliver value to the organization which exceeded the alternative fee-for-service structure. The integrated provider association, The Montefiore IPA, Inc. ("MIPA"), is the entity that assumes the financial full risk of a population through a contractual agreement with a health insurance company. Through contractual agreements, the MIPA receives capitation payments (monthly premiums per enrollee during the

term of the contract) for which it must deliver health care services to enrollees in accordance with the terms of the insurance company subscriber agreements. MMC receives payment from the MIPA for services it provides to enrollees.

Accountable Care Organizations ("ACOs") are part of CMS and other health insurance companies' strategy to promote value-based payment systems to provide better care for individuals, better health for populations, and reduced expenditures for Medicare and other insurers. Central to the strategy is a shift away from the financial incentives inherent in the traditional fee for service provider payment system. Medicare does not provide for capitation form of payment, but through contractual arrangements with ACOs, which are organizations representing groups of providers, it creates incentive systems which approximate capitation forms of payment. Under CMS's ACO model, ACOs share in medical cost savings or cost increases to the Medicare program for attributed beneficiaries dependent upon the attainment of quality goals.

Given its historical involvement in managed care and its large integrated healthcare delivery system and physician practice, MMC is well positioned to participate in ACO arrangements. The Montefiore ACO completed its participation in the Pioneer ACO program with CMS during 2016. The Montefiore ACO was the only Pioneer ACO remaining in New York State, and was a leader in cost savings generating $42.3 million of bonus payments for attributed Medicare beneficiaries for the five full years of reporting which were distributed as administrative service payments and shared savings incentives to MMC and other Pioneer ACO participants. The Montefiore ACO was accepted into the Next Gen ACO program which began operations on January 1, 2017. For 2019, there were approximately 51,000 Medicare beneficiaries attributed to MMC's Next Gen ACO program. The Next Gen program generated $11.7 million of savings in 2017 but had a loss of $5.2 million in 2018 and is currently projected to lose in 2019. The financial benefit to MMC over the last 7 years was $48.8 million. MMC is not participating in the NextGen ACO program for 2020; however, MMC is currently evaluating several new programs being proposed for 2021 by CMS, including a Direct Contracting Model, as well as Kidney and Cancer Care Models.

MMC and the Montefiore ACO also have arrangements with several health insurance plans for similar shared savings arrangements.

As a result of these arrangements, the number of lives under full-risk capitation in MMC's delivery system is approximately 213,000 for the current year. In addition, there are approximately 173,000 members in other types of value-based payment arrangements relating to the Montefiore ACO. The total full-risk population accounted for 17.6% of inpatient discharges at MMC facilities for the nine months ended September 30, 2019.

Administrative services are provided to MIPA, the Montefiore ACO and other related entities pursuant to contracts with CMO The Care Management Company, LLC ("CMO"), a wholly owned subsidiary of MMC. CMO has approximately 242 employees and provides administrative services including claims payment, credentialing, contracting, customer service, information technology, and data analytics. CMO also provides services to related organizations such as the Hudson Valley IPA, SOMOS Community Care, Crystal Run Healthcare and others which may be unrelated to MMC. CMO provides health care management delegated by health plans. It has developed population health management workflows by which it identifies the patients most likely to incur high costs. CMO deploys various care management resources, including disease management, telemedicine and pharmacy education, to better coordinate and guide the provision of care in an effort to, among other things, reduce admissions through emergency rooms.

MMC serves as the leader of a group of providers participating in New York State's Health Home initiative which was initially funded by CMS through the Affordable Care Act ("ACA") for a two-year period. The provider network, comprised of several Bronx hospitals and health centers, as well as many social service providers, is designed to improve health outcomes through care coordination and comprehensive care management for Medicaid beneficiaries with chronic conditions, HIV/AIDS, or serious mental illness.

CMS sponsors several other programs to encourage the health care system to reduce costs while increasing quality. MMC participates in both the "triple aim" project as well as the "bundled payments for care improvement" initiative. Under the triple aim program, MMC incentivizes providers to reduce the per unit cost of providing certain inpatient services. Under the bundled payment initiative, the provider takes financial risk for total inpatient and post-acute Medicare cost for selected clinical conditions over set time period such as 30, 60 or 90 days post-discharge.

Medicaid Redesign

In April 2014, New York State finalized terms and conditions with the federal government that allowed the State to reinvest $8 billion in federal savings generated by Medicaid Redesign Team ("MRT") reforms. The goal was to address critical issues throughout the state and allow for comprehensive reform through a Delivery System Reform Incentive Payment ("DSRIP") program. The DSRIP program promotes community-level collaborations and focuses on system reform, specifically with the goal of achieving a 25 percent reduction in avoidable hospital use over five years. Health care providers collaborate to implement innovative projects focusing on system transformation, clinical improvement and population health improvement. DSRIP funds are awarded based on both performance and reporting linked to achievement of project milestones.

The entity responsible for creating and implementing DSRIP in a defined region is a Performing Provider System ("PPS"), in which the PPS lead and its partners collaborate in a DSRIP Project Implementation Plan. Partnerships can include an array of providers including hospitals, health homes, skilled nursing facilities, clinics, federally qualified health centers, behavioral health providers, community-based organizations, independent physicians, physician group practices and others, and each PPS has a designated lead provider for the group. A PPS is required to perform a community assessment of need, identify DSRIP strategies that are most consistent with addressing identified needs, develop a project plan incorporating those strategies, implement that project plan and monitor milestones and metrics to ensure the implementation is successful.

The Medical Center is the lead entity for the Montefiore Hudson Valley Collaborative ("MHVC") PPS. The MHVC PPS consists of more than 230 organizations in a seven-county area north of the Bronx, including Westchester, Rockland, Orange, Sullivan, Dutchess, Ulster and Putnam counties. The State assigned a maximum MHVC DSRIP award of $224 million to be earned through reporting and performance metrics as well as the potential for high performance awards. The Medical Center is also a participating member in a Bronx-based PPS, known as the Bronx Partners for Healthier Communities ("BPHC"), which is being led by St. Barnabas Hospital. Implementation plans for both PPSs were submitted May 1, 2015 with the first DSRIP year beginning April 1, 2015. Through these programs, the Medical Center works with partners to develop new primary and specialty care capacity, right-size excess inpatient capacity, reduce preventable hospital utilization, and develop a more integrated, patient-centered delivery system.

MHVC has entered into contracts with the partners who collectively make up the bulk of MHVC's state defined network known as the Hudson Valley IPA. The early years of the MHVC workplan was devoted to building a network and completing process metrics. More recently, the MHVC network has taken significant steps towards a value based and sustainable future based on quality and performance. At the same time, MHVC has funded numerous "Innovation" projects which seek to scale promising interventions and move them towards sustainability. New York State DSRIP funds flow through MHVC to the partners in recognition of meeting defined quality and performance targets.

As the first DSRIP program described above comes to an end in March 2020, MHVC has found itself in a positive budget position due to performance that outpaced expectations. At the same time, the Medical Center's engagement with the BPHC has also resulted in earnings to fund innovative projects and staff resources. New York State is currently on pace to meet its goals for reducing avoidable hospital use and making the transition from fee for service to value-based arrangements.

In November 2019, New York State submitted an amendment request to CMS seeking a one-year extension to the current DSRIP program and a three-year renewal, known as "DSRIP 2.0," through March 2024, with funding of $8 billion. DSRIP 2.0 is intended to build on the success of the first DSRIP waiver while injecting new funding and resources to the State and DSRIP lead providers. As designed, this project would focus on performance and innovation as well as investing in key workforce and community-based needs throughout New York. DSRIP 2.0 is subject to CMS review and approval, and even if approved could be extensively revised as it goes through the review process. If it is approved, the Medical Center believes it is well placed to be a key participant in the program.

For additional information, see "PART 7 - BONDOWNERS' RISKS AND MATTERS AFFECTING THE HEALTH CARE INDUSTRY – State Budget; and – Medicaid 1115 Waiver Amendment" of this Official Statement.

Outstanding Indebtedness and Guarantees

The following is a summary of long-term-debt at December 31, 2017 and 2018 of MMC and its consolidated subsidiaries.

MONTEFIORE MEDICAL CENTER

Long-term Indebtedness

	As of December 31, *(in thousands)*		
	2017[1]	**2018**[1]	**2018 Pro Forma**[2]
Series 2020A Bonds	$ -	$ -	$ 356,510
Series 2020B Bonds	-	-	350,000
Series 2018A Bonds	-	309,045	309,045
Series 2018B Bonds	-	376,105	376,105
Series 2018C Bonds	-	481,950	481,950
FHA Section 242 insured mortgage loan	79,998	-	-
FHA Section 241 insured mortgage loans	240,587	-	-
HDC residential revenue bonds	5,600	-	-
Bank loans payable	77,613	2,774	2,774
Housing II mortgages payable[3]	18,252	18,071	-
Housing I mortgage payable	1,074	-	-
MCORP bonds payable	17,630	-	-
NYC IDA bonds payable	12,380	-	-
Build NYC bonds payable[4]	67,620	63,613	-
Equipment leasing programs	209,384	56,515	56,515
Ambulatory care center financing	56,419	55,390	55,390
Dormitory Authority mortgage	14,868	26,921	26,921
Other	1,874	1,122	1,122
Total long-term debt	$803,299	$1,391,506	$ 2,016,332

[1] Derived from the audited consolidated financial statements of MMC.
[2] Gives effect to the issuance of the Series 2020 Bonds as if they had been issued and were outstanding at December 31, 2018, and the refunding of the Refunded Bonds (as defined in the PART 4 – PLAN OF FINANCE of this Official Statement) had occurred at December 31, 2018.
[3] This debt will be repaid concurrently with the Series 2020 Bond financing.
[4] These are the Refunded Bonds are being refunding with a portion of the proceeds of the Series 2020A Bonds.

MMC has guaranteed AECOM's obligations under certain promissory notes in the aggregate principal amount of $162.2 million. During 2017 and 2018, MMC made a total of $5.6 million in interest payments pursuant to a Guaranty Agreement (the "AECOM Guaranty").

In June 2019, the Medical Center entered into a $200 million revolving credit agreement with a bank which expires in June 2021. At September 30, 2019, approximately $21.6 million was outstanding under this credit facility, and approximately $55.4 million at December 31, 2019. Interest is variable and is based on LIBOR plus 0.60% and was 2.65% at September 30, 2019 and 2.38% at December 31, 2019. The Medical Center issued Obligation No. 4 to the bank to evidence and secure the revolving credit facility (the "Revolving Credit Facility"). The current outstanding balance of the Revolving Credit Facility will be repaid with proceeds of the Series 2020A Bonds. The facility will remain in place.

See "Financial Commitments to Affiliates," below, for additional information regarding these affiliate obligations and the MMC guaranties.

Plan of Finance

The proceeds of the Series 2020A Bonds will be used to (i) finance the HOB Project and certain other capital projects, (ii) refund the Build NYC Series 2013 Bonds, (iii) repay the current outstanding balance of the Revolving Credit Facility, and (iv) pay the cost of issuance of the Series 2020A Bonds. The proceeds of the Series 2020B Bonds will be used to provide funds for capital projects and other corporate purposes, and to pay a portion of the cost of issuance of the Series 2020 Bonds. See "PART 4 - PLAN OF FINANCE" of this Official Statement.

The HOB Project involves the design, construction and equipping of a hospital outpatient and office building on the White Plains Hospital campus. The HOB Project will house outpatient and ambulatory surgery services. The ten-story building is expected to contain approximately 247,200 square feet of space, with a two-story bridge connecting to the main hospital facility. The estimated project cost is $282 million, of which up to $248.5 million will be financed by a mortgage loan made by MMC to White Plains Hospital funded from a portion of the proceeds of the Series 2020A Bonds. The remainder of the costs of the HOB Project is expected to be paid by White Plains Hospital from operations and cash reserves.

Debt Service Coverage

The following table sets forth the historical debt service coverage for MMC and its consolidated subsidiaries for the years ended December 31, 2017 and 2018 and the pro forma debt service coverage ratio for the year ended December 31, 2018. The pro forma Maximum Annual Debt Service gives effect to the issuance of the Series 2020 Bonds as if they had been issued and outstanding as of December 31, 2018.

MONTEFIORE MEDICAL CENTER

Debt Service Coverage

	As of December 31, (in thousands)		
	2017[1]	**2018**[1]	**2018 Pro Forma**
Excess of revenues over expenses	$ 56,528	$ 26,631	$ 26,631
Less:			
Changes in net unrealized gains and losses on marketable and other securities	23,122	(27,114)	(27,114)
Plus:			
Depreciation and amortization	150,921	150,151	150,151
Interest	32,078	48,585	48,585
Income Available for Debt Service	216,405	252,481	252,481
Maximum Annual Debt Service[2]	$ 108,353	$ 117,003	$ 127,322
Debt Service Coverage Ratio	2.00x	2.16x	1.98x

[1] Derived from the audited consolidated financial statements of MMC, except for Maximum Annual Debt Service and Debt Service Coverage Ratio.

[2] Maximum Annual Debt Service is based on MMC records and includes smoothing the effect of balloon payments, as well as 20% of the debt service on the Einstein Notes guaranteed under the AECOM Guaranty.

Long-Term Debt to Capitalization

The following table sets forth the long-term debt, net assets without donor restrictions, total capitalization and percentage of debt to capitalization of MMC and its consolidated subsidiaries for the years ended December 31, 2017 and 2018 and pro forma long-term debt, net assets without donor restrictions, total capitalization and percentage of debt to capitalization.

	As of December 31, (in thousands)		
	2017[1]	2018[1]	2018[1,2] Pro-Forma
Long-term debt and capital lease obligations, including current portion	$ 803,299	$ 1,391,506	$ 2,016,332
Net assets without donor restrictions	732,749	628,902	628,902
Total capitalization	$1,536,048	$2,020,408	$2,645,234
Percentage of debt to capitalization	52.3%	68.9%	76.2%

[1] Derived from the audited consolidated financial statements of MMC, except for percentage of debt to capitalization.

[2] Gives effect to the issuance of the Series 2020 Bonds as if they had been issued and outstanding as of December 31, 2018.

Liquidity

The following table sets forth for MMC and its consolidated subsidiaries unrestricted cash and investments, average daily operating expenses, as of and for the years ended December 31, 2017 and 2018, and the Days Cash on Hand ratio and pro forma Days Cash on Hand ratio derived therefrom.

MONTEFIORE MEDICAL CENTER

Liquidity – Days' Cash on Hand

	As of December 31, (in thousands)		
	2017[4]	2018[4]	2018 Pro Forma
Unrestricted cash and investments[1]	$ 910,268	$ 1,539,545	$ 1,909,970[5]
Average daily operating expenses[2]	$9,820	$10,313	$10,313
Days cash on hand[3]	93	149	185

[1] Includes all cash, cash equivalents and investments that are not restricted by donors or other third parties

[2] Total operating expenses for the period exclusive of depreciation and amortization, divided by number of days in the period.

[3] Unrestricted cash and investments divided by average daily operating expenses.

[4] Derived from the audited consolidated financial statements of MMC, except for days cash on hand.

[5] The Pro Forma 2018 amount includes the estimated impact of cash raised through issuance of the 2020 Bonds.

Capital Expenditures

For the years ended December 31, 2016, 2017 and 2018 the Medical Center and its consolidated subsidiaries incurred capital expenditures of approximately $112.2 million, $85.0 million and $111.5 million, respectively, for acquisition of plant, buildings and equipment (net of disposal), which represents approximately 69% of depreciation during this period.

Interest Rate Swaps and other Derivatives

The Medical Center currently has no interest rate swaps or other derivative products in place with respect to its indebtedness, and there are no current plans to enter into any such transactions.

Investments

The marketable securities and other investments of MMC and its consolidated subsidiaries consist of the following as of December 31, 2017 and 2018:

MONTEFIORE MEDICAL CENTER

Investments

	As of December 31,	
	(in thousands)	
	2017[1]	**2018**[1]
Equity securities	$ 82,195	$ 55,564
Non-equity mutual funds	119,805	49,099
Equity mutual funds	22,434	17,782
U.S. Government agency mortgage-backed securities	50,714	39,513
U.S. Treasury securities	120,133	44,512
U.S. Government agency-backed securities	25,500	35,330
Managed cash and cash equivalents held for investment	40,730	364,640
Alternative investments	116,453	87,515
Collective trust funds	36,752	31,385
Corporate debt	256,335	792,556
Interest and other receivables	1,307	2,499
Total investments	$872,358	$1,520,395

[1] Derived from the audited consolidated financial statements of MMC.

The MMC Board of Trustees has adopted an Investment Policy which sets forth guidance for the Investment Committee as to how to implement their investment responsibilities. The Investment Committee of the Board provides ongoing oversight and the management of all funds belonging to MMC. The overall investment objective of the funds is to preserve MMC's ability to meet future capital and investment needs. The asset allocation of the funds is determined by the Investment Committee, subject to minimum and maximum percentage allocations. These allocations are to be reviewed periodically by the Investment Committee. In addition, the Investment Committee limits concentration of investments. The retention of investment managers and review of their performance is under the purview of the Investment Committee. MMC utilizes an external investment consultant to provide professional investment analysis and to assist in evaluating the performance of the fund managers.

Financial Commitments to Affiliates

In 2013 the Medical Center entered into a loan agreement with MHS, as borrower, pursuant to which the Medical Center agreed to advance up to $137 million to MHS. MHS has and is using these funds to make term loans, revolving loans and direct contributions to MNR, MVH, SECC, and related real estate holding companies. The loans made by MHS are secured by mortgages and pledges of revenue granted by the borrowers. MHS assigned these security instruments to the Medical Center as security for MHS's obligations to repay the loans made by the Medical Center. As of September 30, 2019, approximately $93.8 million of the loan was outstanding. In April 2019, the revolving loan facilities to MNR and MVH were converted to term loans. In August 2019, the term loans (but not the revolving facility converted to a term loan) made to MVH and its related real estate holding company were paid in full with proceeds from a New York State grant.

White Plains Hospital joined the System in January 2015 when MHS became its sole corporate member. Under the terms of the agreements between MHS and White Plains Hospital, MHS agreed to provide financial assistance to White Plains Hospital in an amount of up to $250 million, subject to the satisfaction of various conditions. The source of the funds required to meet this commitment was left to the determination of MHS. The Medical Center, itself, has no obligation to provide the funds for MHS with respect to this commitment, however, MMC made capital contributions to MHS in the amount of $166.1 million through September 30, 2019 for this purpose. Additionally, the Medical Center and White Plains Hospital entered into a Loan Agreement, dated

December 31, 2018, pursuant to which the Medical Center has agreed to loan up to $248.5 million to finance the HOB Project. A portion of the proceeds of the Series 2020A Bonds will be used to meet this obligation. A mortgage granted by White Plains Hospital secures its obligation to repay the Medical Center for amounts advanced under the mortgage loan; it does not secure any of the Obligations issued under the Master Indenture.

In September 2015, AECOM acquired substantially all the assets and assumed substantially all the liabilities of the College of Medicine. From its beginning in the 1950s through this acquisition, the College of Medicine had been a division of Yeshiva. AECOM financed the acquisition in part with proceeds of revenue bonds issued on its behalf by Build NYC Resource Corporation (the "Einstein BNYC Bonds") in the principal amount of $175,000,000. AECOM also issued Yeshiva a promissory note, which was sold by Yeshiva and restructured into three interest bearing notes with an aggregate par amount of $162.2 million (the "Einstein Notes") and final maturity in 2037. MMC has guaranteed AECOM's obligations under the Einstein Notes. AECOM is obligated to repay any amounts that MMC pays with respect to its guaranty of the Einstein Notes over a five-year period with interest. AECOM's obligation to repay such amounts is subordinate to its obligation to make payments with respect to the Einstein BNYC Bonds. During 2017 and 2018, $5.6 million in interest payments on the Einstein Notes were paid by MMC under the AECOM Guaranty. During 2018, MMC forgave the amounts owed from AECOM. No payments were made under the AECOM Guaranty in 2019. The first principal payment on the Einstein Notes is due in September 2021 in the amount of $27.7 million.

Additionally, under a Reimbursement and Operations Payment Agreement (the "Subsidy Agreement"), the Medical Center provides operating subsidies to AECOM for a five-year period commencing September 2015 in an aggregate amount of up to $80 million. Under the terms of the Subsidy Agreement, the Medical Center is obligated to provide this subsidy in stages to be funded upon the receipt and approval of documentation of unreimbursed research expenses incurred in an amount not to exceed $10 million per year in each of the first two years, and not to exceed $20 million per year in each of the third, fourth and fifth years. As of the date hereof, MMC is current with these payments. MMC has also agreed to provide loans to AECOM in an aggregate amount of up to $75 million as necessary to allow it to meet its cash flow requirements. The first loan was funded in 2017 in the amount of $35.0 million. The loan was subject to the same subordination terms that apply to the Guaranty Agreement for the Einstein Notes. During 2018, the Medical Center reserved the amounts owed from AECOM of approximately $36.8 million under this agreement. In March 2018, MMC entered into a commitment to provide financial support, including working capital and bridge financing, as necessary, to AECOM in order for AECOM to meet its operational needs. Through September 30, 2019, MMC has provided approximately $53.0 million to AECOM under this commitment. It is possible that MMC will continue to make subsidy payments and loans or equity transfers to AECOM beyond the commitments described above, subject to compliance with provisions of the Master Indenture regarding the disposition of assets. See Appendix E – Form of Master Indenture - Limitation on Disposition of Assets.

MMC provides services to other MHS entities as well as AECOM, for which it expects to be paid. To the extent that these amounts are outstanding they are recorded by MMC as intercompany receivables. After evaluation of expectation of repayment, approximately $13 million of these receivables were reserved at year-end 2018.

Insurance

MMC maintains a comprehensive insurance portfolio that includes coverage for professional liability (and batch coverage), general liability, property, workers compensation, statutory disability, automobile, fiduciary, business travel/accident, errors and omissions, foreign medical malpractice, kidnap and ransom, privacy/internet security, fidelity, and Directors & Officers/Employment practices risks. MMC utilizes Healthcare Risk Advisors (formerly FOJP), a service organization that provides third party comprehensive insurance and risk management advisory services, and various insurance brokerage and consulting firms to regularly review coverage and to assure their adequacy. Property insurance is subject to deductibles usual to risks of our size and scope. Workers' compensation insurance is purchased from the New York State Insurance Fund, the largest workers' compensation carrier in New York.

Primary professional liability coverage is provided to MMC through HIC, a New York State admitted and licensed insurance company. Excess professional liability insurance is provided through the Montefiore Medicine Academic Health System Self Insurance Trust (the "Montefiore Medicine Trust"). Primary general liability is also through HIC, while the umbrella/excess liability coverage is purchased from multiple admitted insurance carriers through the commercial market.

Prior to January 2018, MMC participated in a pooled excess insurance program for hospital professional liability with certain other health care facilities (principally hospitals) affiliated with the UJA Federation of Jewish

Philanthropies of New York. Participation in that occurrence based excess insurance program was through several offshore companies.

Most non-employed medical staff with admitting privileges are required to maintain professional liability insurance coverage in amounts not less than $1.3 million per occurrence and $3.9 million in the aggregate.

In 2019 MMC sold its interest in HIC and FOJP. HIC continues to provide coverage for MMC. Healthcare Risk Advisors (formerly FOJP) continues to provide the same services to MMC and the member hospitals as prior to the transaction.

Total liabilities associated with the Medical Center's insurance programs were approximately $115.1 million and $191.6 million at December 31, 2018 and 2017, respectively. Total liabilities associated with the Montefiore Medicine Trust were approximately $64.4 million at December 31, 2018.

MMC presents anticipated insurance recoveries separately from estimated insurance liabilities for medical malpractice claims and similar contingent liabilities in the consolidated statements of financial position. At December 31, 2018 and 2017, MMC recorded estimated insurance claims receivable and estimated insurance claims liabilities of approximately $481.0 million (approximately $86.6 million current and $394.4 million long-term) and approximately $540.6 million (approximately $81.1 million current and $459.5 million long-term), respectively.

Cybersecurity

MMC has adopted a cybersecurity policy designed to maintain the security and safety of its data, communications and information systems. Periodic assessments are conducted by external security experts on a three-year cycle. MMC has implemented all the high priority recommendations in the latest assessment, and the consultants are now beginning their next assessment. Regular reviews are conducted of progress against the recommendations, and periodic reports are made to the Audit Committee of the Board.

As with other large academic health systems, MMC is confronted with attempted cyberattacks, including phishing and other malware incidents. Both MMC and AECOM were recently subject to separate malware attacks. MMC is in the process of concluding remediation, and remediation of the AECOM attack has been completed. As of the date hereof, there is no evidence of a breach of protected health information. MMC is not aware of any prior material cybersecurity incidents that have compromised Montefiore's patient, financial or business data.

Montefiore Medicine and its subsidiaries, including the Medical Center, maintain comprehensive cyber and privacy breach insurance coverage which is underwritten annually by licensed insurance carriers. The policies are consistent with industry standards for limits and coverage. Such coverage consists of but is not limited to technology errors and omissions, information security and privacy liability, data protection loss, and system failure coverage.

Licensure and Accreditation

The Medical Center has operating certificates from the New York State Department of Health and the New York State Office of Mental Health. The Medical Center also has operating certificates from the New York State Office of Alcoholism and Substance Abuse Services and the New York State Office for People with Developmental Disabilities to operate several programs. The Medical Center is accredited by The Joint Commission and is approved for participation in the Medicare and Medicaid programs.

Human Resources

As of September 30, 2019, MMC employed approximately 20,100 FTE employees.

MMC maintains competitive benefit packages and training opportunities to attract and retain employees. The Medical Center maintains close affiliations with universities and schools providing clinical experiences for students in programs such as Nursing, Physician Assistant, Social Work, Home Health Aide and a variety of other allied health professionals. A strong advocate for the profession of Nursing, the Medical Center provides clinical training to nursing students in affiliation with approximately 20 area colleges and universities, training over 2,700 students in 2019 including students in the Montefiore New Rochelle School of Nursing, part of MHS.

Benefits

Group health and welfare benefits offered to eligible employees include: health insurance covering hospitalization, medical, prescription drugs, dental, and vision; short- and long-term disability; life and accidental death and dismemberment insurance; workers compensation and tuition reimbursement. MMC is in compliance with funding obligations under the above benefit plans. In addition, postretirement health benefits are offered for certain groups of employees, for which an unfunded liability (on a financial statement accounting basis) of approximately $186.5 million and $190.8 million is recorded as of December 31, 2017 and 2018, respectively. The amount of the unfunded liability is calculated as the present value of the expected future stream of payments that will be required under the plans. The increase in the liability between 2017 and 2018 resulted primarily from a decrease in the benefit cost discount rate in 2018 compared to 2017.

Pension Plans

MMC offers pension plans to its employees depending on their bargaining unit affiliation. There are two tax deferred annuity plans under Section 403 (b) of the Code, to which contributions are made based on percentages of salary; one is a non-contributory plan for eligible non-union employees that is funded by the employer and the other is a plan open to all employees that is funded solely by employee contributions. The Medical Center offers a Section 457(b) plan to which a limited group of employees are able to make contributions. In addition, the Medical Center maintains two noncontributory defined benefit pension plans and contributes amounts sufficient to meet requirements under ERISA and the Pension Protection Act of 2006. The Medical Center also contributes to two union multiemployer pension plans, including the New York State Nurses Association ("NYSNA") and the 1199 SEIU Healthcare Employees pension funds. Contributions are made in accordance with contractual agreements and the Medical Center is in compliance with these agreements.

The total amount funded under all pension arrangements was approximately $152.3 million and $136.0 million in 2018 and 2017, respectively. Unfunded liabilities related to noncontributory defined benefit pension plans were approximately $15.9 million in 2018 and $19.2 million in 2017.

Collective Bargaining and Labor Relations

The Medical Center has several collective bargaining agreements covering certain of its employees. The Medical Center's agreement with the 1199 SEIU United Healthcare Workers East, representing service, clerical, professional and technical associates, which expires September 30, 2021 covers approximately 9,750 employees[1]. The contract with the registered nurse division of the 1199 SEIU United Healthcare Workers East expires September 30, 2021 and covers approximately 550 employees.

The Medical Center's agreement with the New York State Nurses Association representing approximately 3,625 registered nurses expires December 31, 2022. The Medical Center's agreement with the Physical Therapy Collective Negotiations Committee, covering approximately 85 physical therapists, will expire on December 31, 2020. The Medical Center's agreement with Weiler/Einstein Physical Therapy Associates, covering approximately 40 employees, expired on June 30, 2017 and is pending negotiation of a successor contract. The Medical Center has two agreements with Special and Superior Officers Benevolent Association covering security officers: one expiring November 30, 2020, and a second expiring June 30, 2021, covering a total of approximately 160 employees. There is also an agreement covering approximately 8 security officers at the Westchester Square campus with the Special Patrolmen's Benevolent Association that expires on June 30, 2021. The Medical Center also has an agreement with Local 30 of the International Union of operating Engineers covering approximately 25 employees which expired May 31, 2019 and is pending negotiation of a successor contract. It also has an agreement with the Committee of Interns and Residents, representing approximately 100 employees that will expire on May 11, 2021.

In the past ten years there have not been any work stoppages at MMC.

Management believes that the overall relationship with labor is good. The various HR/Employee and Labor Relations teams routinely collaborate with the various groups of union organizers, delegates, representatives and contract administrators to support sound labor relations; to reduce areas of conflict; and to ensure that the interests of all parties are served. In addition, the various MHS entities have formal processes (e.g. Labor

[1] In each instance in this section, the number of employees includes active per-diem employees.

Management Committees, Professional Practice Committees) and informal processes that result in regular meetings designed to resolve challenges and proactively lead quality improvement initiatives at each entity.

Litigation

MMC has no actions or proceedings pending or, to its knowledge, threatened against it except: (i) litigation being defended by insurance companies on behalf of MMC, the probable recoveries in which and the estimated costs and expenses of defense of which, in the opinion of counsel to MMC for such matters, will be entirely within applicable insurance policy limits (subject to applicable deductibles); and (ii) litigation, the probable recoveries in which and the estimated costs and expenses of defense of which after exhaustion of available insurance proceeds, if any, in the opinion of MMC management, will not materially and adversely affect MMC operations or financial condition.

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APPENDIX B-1

MONTEFIORE MEDICAL CENTER AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017, WITH REPORT OF INDEPENDENT AUDITORS

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Consolidated Financial Statements and Supplementary Information

Montefiore Medical Center
Years Ended December 31, 2018 and 2017
With Report of Independent Auditors

Ernst & Young LLP

Montefiore Medical Center

Consolidated Financial Statements and
Supplementary Information

Years Ended December 31, 2018 and 2017

Contents

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

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

Building a better working world

Report of Independent Auditors

The Board of Trustees
Montefiore Medical Center

We have audited the accompanying consolidated financial statements of Montefiore Medical Center and its controlled organizations, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Montefiore Medical Center and its controlled organizations at December 31, 2018 and 2017, and the consolidated results of their operations, changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2014-09, "*Revenue from Contracts with Customers*" and ASU No. 2016-14, "*Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*"

As discussed in Note 1 to the consolidated financial statements, Montefiore Medical Center changed its method of revenue recognition as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers," effective January 1, 2018 and adopted the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2016-14, "Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities," effective December 31, 2018. Our opinion is not modified with respect to these matters.

Ernst & Young LLP

April 12, 2019

Montefiore Medical Center

Consolidated Statements of Financial Position

	December 31	
	2018	**2017**
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 184,019**	$ 253,978
Marketable and other securities	**1,355,526**	656,290
Assets limited as to use, current portion	**10,930**	15,976
Receivables for patient care, net	**231,548**	243,095
Other receivables	**44,007**	48,616
Estimated insurance claims receivable, current portion	**86,575**	81,097
Other current assets	**68,014**	56,305
Due from members, current portion	**25,861**	32,476
Total current assets	**2,006,480**	1,387,833
Assets limited as to use, net of current portion	**153,938**	200,092
Property, buildings and equipment, net	**1,017,751**	1,056,355
Estimated insurance claims receivable, net of current portion	**394,399**	459,548
Other noncurrent assets	**215,213**	218,432
Due from members, net of current portion	**129,487**	167,464
Total assets	**$ 3,917,268**	$ 3,489,724
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 305,583**	$ 277,149
Accrued salaries, wages and related items	**270,386**	285,851
Professional and other insured liabilities, current portion	**61,989**	52,022
Estimated insurance claims liabilities, current portion	**86,575**	81,097
Estimated third-party payer liabilities, current portion	**33,334**	41,492
Long-term debt, current portion	**17,195**	74,475
Total current liabilities	**775,062**	812,086
Long-term debt, net of current portion	**1,380,505**	724,216
Noncurrent defined benefit pension and other postretirement health plan liabilities	**190,279**	190,153
Professional and other insured liabilities, net of current portion	**117,454**	139,541
Employee deferred compensation	**46,329**	45,570
Estimated insurance claims liabilities, net of current portion	**394,399**	459,548
Estimated third-party payer liabilities, net of current portion	**211,014**	211,014
Other noncurrent liabilities	**62,523**	63,179
Total liabilities	**3,177,565**	2,645,307
Commitments and contingencies		
Net assets:		
Without donor restrictions	**628,902**	732,749
With donor restrictions	**110,801**	111,668
Total net assets	**739,703**	844,417
Total liabilities and net assets	**$ 3,917,268**	$ 3,489,724

See accompanying notes.

Montefiore Medical Center

Consolidated Statements of Operations

	Year Ended December 31	
	2018	**2017**
	(In Thousands)	
Operating revenue		
Net patient service revenue before bad debt expense		$ 3,446,406
Bad debt expense		(33,486)
Net patient service revenue	**$ 3,499,992**	3,412,920
Grants and contracts	**87,361**	82,247
Contributions	**10,081**	6,902
Other revenue	**318,908**	260,778
Total operating revenue	**3,916,342**	3,762,847
Operating expenses		
Salaries and wages	**1,849,552**	1,761,775
Employee benefits	**528,011**	506,502
Supplies and other expenses	**1,338,110**	1,283,949
Depreciation and amortization	**150,151**	150,921
Interest	**48,585**	32,078
Total operating expenses	**3,914,409**	3,735,225
Excess of operating revenues over operating expenses before other items	**1,933**	27,622
Net realized and changes in net unrealized gains and losses on marketable and other securities	**(14,945)**	37,141
Malpractice insurance program adjustments	**49,354**	1,209
Net periodic pension and other postretirement benefit costs (non-service related)	**(11,845)**	(9,444)
Gain on debt refinancing	**2,134**	–
Excess of revenues over expenses	**26,631**	56,528
Change in defined benefit pension and other postretirement health plan liabilities to be recognized in future periods	**9,485**	(16,678)
Transfer of Montefiore Consolidated Ventures, Inc. to MHS *(Note 1)*	**–**	41,435
Transfers to members, net	**(139,963)**	(37,933)
(Decrease) increase in net assets without donor restrictions	**$ (103,847)**	$ 43,352

See accompanying notes.

Montefiore Medical Center

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
		(In Thousands)	
Net assets at January 1, 2017	$ 689,397	$ 109,885	$ 799,282
Increase in net assets without donor restrictions	43,352	–	43,352
Restricted gifts, bequests, and similar items	–	4,962	4,962
Restricted investment income	–	473	473
Net assets released from restrictions	–	(3,652)	(3,652)
Total changes in net assets	43,352	1,783	45,135
Net assets at December 31, 2017	732,749	111,668	844,417
Decrease in net assets without donor restrictions	**(103,847)**	**–**	**(103,847)**
Restricted gifts, bequests, and similar items	**–**	**3,513**	**3,513**
Restricted investment income	**–**	**(488)**	**(488)**
Net assets released from restrictions	**–**	**(3,892)**	**(3,892)**
Total changes in net assets	**(103,847)**	**(867)**	**(104,714)**
Net assets at December 31, 2018	**$ 628,902**	**$ 110,801**	**$ 739,703**

See accompanying notes.

Montefiore Medical Center

Consolidated Statements of Cash Flows

	Year Ended December 31 2018	2017
	(In Thousands)	
Operating activities		
(Decrease) increase in net assets	**$ (104,714)**	$ 45,135
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**150,151**	150,921
Bad debt expense	**–**	33,486
Change in defined benefit pension and other postretirement health plan liabilities to be recognized in future periods	**(9,485)**	16,678
Transfers to members, net	**139,963**	37,933
Transfer of Montefiore Consolidated Ventures, Inc. to MHS	**–**	(41,435)
Net realized gains and losses on marketable and other securities	**(12,169)**	(14,019)
Change in net unrealized gains and losses on marketable and other securities	**27,114**	(23,122)
Equity earnings from investments	**(42,674)**	(31,625)
Write-off of long-term mortgage premium and deferred financing costs as a result of debt refinancing	**4,005**	–
Amortization of long-term mortgage premium	**(1,141)**	(329)
Amortization of deferred financing costs	**1,081**	1,072
Changes in operating assets and liabilities:		
Receivables for patient care	**11,547**	11,471
Accounts payable and accrued expenses	**28,434**	(44,564)
Accrued salaries, wages and related items	**(15,465)**	16,713
Noncurrent defined benefit and postretirement health plan liabilities	**9,611**	6,424
Net change in all other operating assets and liabilities	**(26,939)**	13,299
Net cash provided by operating activities	**159,319**	178,038
Investing activities		
Acquisition of property, buildings and equipment, net	**(111,547)**	(85,037)
Advances to Montefiore Health System, Inc. on MHS Note and other	**–**	(4,218)
Payments from Montefiore Health System, Inc. on MHS Note	**2,153**	2,047
(Increase) decrease in marketable and other securities, net	**(714,181)**	14,779
Decrease in assets limited to use, net	**51,200**	30,360
Net cash used in investing activities	**(772,375)**	(42,069)
Financing activities		
Payments of long-term debt	**(49,152)**	(67,729)
Extinguishment of long-term debt	**(545,139)**	–
Proceeds from long-term debt	**1,213,837**	47,078
Payments of deferred financing costs	**(24,482)**	(208)
Payments to members, net	**(51,967)**	(31,727)
Net cash provided by (used in) financing activities	**543,097**	(52,586)
Net (decrease) increase in cash and cash equivalents	**(69,959)**	83,383
Cash and cash equivalents at beginning of year	**253,978**	170,595
Cash and cash equivalents at end of year	**$ 184,019**	$ 253,978

See accompanying notes.

Montefiore Medical Center

Notes to Consolidated Financial Statements

December 31, 2018

1. Organization and Significant Accounting Policies

Organization

Montefiore Medical Center and its controlled organizations (collectively, the Medical Center) comprise an integrated health care delivery system. The majority of the facilities are located in the Bronx, New York. The Medical Center is incorporated under New York State Not-for-Profit Corporation law and provides health care and related services, primarily to residents of the Metropolitan New York area. The Medical Center is a not-for-profit membership organization whose sole member is Montefiore Health System, Inc. (MHS). In addition, MHS is the sole member of several other health care related entities (members). Montefiore Medicine Academic Health System, Inc. (MMAHS) is the sole member of MHS.

The Medical Center, together with the members, provides patient care, teaching, research, community services and care management. The Medical Center operates many community benefit programs, including wellness programs, community education programs and health screenings, as well as a variety of community support services, health professionals' education, school health programs and subsidized health services.

The accompanying consolidated financial statements include the accounts of the following tax-exempt and taxable organizations.

- Montefiore Medical Center
- MMC Corporation (MCORP)
- Gunhill MRI P.C. (Gunhill)
- Mosholu Preservation Corporation (MPC)
- CMO The Care Management Company, LLC (CMO)
- Montefiore Proton Acquisition, LLC (MPRO)
- MMC Residential Corp. I, Inc. (Housing I)
- Montefiore Hospital Housing Section II, Inc. (Housing II)
- Montefiore Hudson Valley Collaborative LLC (MHVC)
- Montefiore CERC Operations, Inc. (CERC)
- Montefiore Consolidated Ventures, Inc. (MCV), which is the parent to the following organizations:
  - Hudson Valley IPA, Inc. (HIPA)
  - The Montefiore IPA, Inc. (MIPA)
  - Bronx Accountable Healthcare Network IPA, Inc. (ACO-IPA)
  - University Behavioral Associates, Inc. (UBA)
  - Montefiore Behavioral Care IPA No. 1, Inc. (MBCIPA)
  - MMC GI Holdings East, Inc. (GI East)
  - MMC GI Holdings West, Inc. (GI West)
  - CRHT Acquisition, Inc. (CRHT)

1. Organization and Significant Accounting Policies (continued)

All intercompany accounts and activities have been eliminated in consolidation. Captive insurance companies in which the Medical Center has an equity interest of more than 20%, but less than 50%, are accounted for under the equity method of accounting. In addition, investments in limited liability companies not wholly owned are recorded under the equity method.

On March 1, 2017, the Medical Center entered into an agreement by which it assigned and transferred all of its rights, title and interest in the shares of the common stock of MCV and its controlled organizations to MHS. In accordance with Accounting Standards Codification Topic 805, *Business Combinations*, this transaction was accounted for as a net asset transfer between entities under common control, with no retrospective adjustment to the prior period consolidated financial statements. Accordingly, the activities of MCV are included in the consolidated statements of operations and changes in net assets through the date of transfer. The following table summarizes the assets, liabilities and net deficiency of MCV and its controlled organizations as of the date of transfer, March 1, 2017 (in thousands):

	March 1, 2017*
Assets	
Cash and cash equivalents	$ 6,631
Marketable and other securities	23,712
Assets limited as to use	39,345
Other receivables	12,488
Due from members	8,340
Property, buildings and equipment, net	142
Other noncurrent assets	2,022
Total assets	$ 92,680
Liabilities	
Accounts payable and accrued expenses	$ 73,965
Accrued salaries, wages, and related items	469
Due to members	59,681
Total liabilities	134,115
Net deficiency	
Net deficiency without donor restrictions	(41,435)
Total liabilities and net deficiency	$ 92,680

* Represents assets, liabilities and net deficiency transferred to MHS on March 1, 2017 and excluded from the consolidated statement of financial position as of December 31, 2017.

1. Organization and Significant Accounting Policies (continued)

The following table summarizes the operating revenue and excess of revenues over expenses related to MCV included within the consolidated statements of operations of the Medical Center through the date of transfer, March 1, 2017 (in thousands):

	Period From January 1, 2017 to March 1, 2017
Total operating revenue	$ 90,590
Excess of revenues over expenses	$ 1,671

Tax Status: The Medical Center, a section 501(c)(3) organization, is exempt from Federal, New York State and local income taxes under Section 501(a) of the Internal Revenue Code, as are all of the organizations consolidated in these financial statements, except for MCV and its subsidiaries, which are taxable entities and CMO, MPRO and MHVC which are disregarded entities for income tax purposes. Disregarded entity status provides that the Medical Center is subject to unrelated business income taxation on income derived from activities not specific to the Medical Center. The Tax Cuts and Jobs Act (TCJA) was enacted on December 22, 2017. For tax-exempt entities, TCJA requires organizations to categorize certain fringe benefit expenses as a source of unrelated business income subject to tax, pay an excise tax on compensation above certain thresholds, and record income or losses for tax determination purposes from unrelated business activities on an activity-by-activity basis, among other provisions. Regulations necessary to implement certain aspects of the TCJA are expected to be promulgated by the Internal Revenue Service (IRS) in 2019. The effects of income taxes are not material to the consolidated financial statements.

Net Assets without Donor Restrictions: Net assets without donor restrictions are those that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Medical Center. These net assets may be used at the discretion of the Medical Center's management and board of trustees.

1. Organization and Significant Accounting Policies (continued)

Net Assets with Donor Restrictions: Net assets with donor restrictions are those whose use has been limited by donors to a specific time frame or purpose or have been restricted by the donors to be maintained by the Medical Center in perpetuity. The Medical Center records donor restricted contributions if they are received with donor stipulations that limit their use either through purpose or time restrictions.

When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, donor restricted net assets are reclassified as net assets without donor restrictions and reported as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are classified as contributions without donor restrictions. Other revenue for the years ended December 31, 2018 and 2017 includes approximately $3.9 million and $3.7 million, respectively, of net assets released from restrictions used for operations.

Cash and Cash Equivalents: Cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less at the time of purchase which are not deemed to be assets limited as to use or part of the marketable securities portfolio. The Medical Center maintains cash on deposit with major banks and invests in highly rated commercial paper on an overnight basis or securities issued by either the United States Government or its agencies with a maturity of three months or less at the time of purchase. The Medical Center does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents. Book overdrafts of approximately $65.6 million and $35.2 million as of December 31, 2018 and 2017, respectively, are included within accounts payable and accrued expenses in the consolidated statements of financial position.

At December 31, 2018 and 2017, the Medical Center invested excess cash in deposits with major banks and in money market funds with high credit quality financial institutions.

Inventories: Inventories, included in other current assets, consist primarily of drugs and supplies, and are valued at the lower of cost and net realizable value.

Marketable and Other Securities: All marketable and other securities are classified as trading securities. Marketable securities are carried at fair value and generally consist of fixed income securities issued or guaranteed by government entities, money market funds, mutual funds, fixed income securities issued by corporations, collective trust funds and equity securities. Marketable securities received as a gift are initially recorded at fair value at the date of the gift. The carrying

1. Organization and Significant Accounting Policies (continued)

amount of alternative investments (nontraditional, not readily marketable asset classes), some of which are structured such that the Medical Center holds limited partnership interests, are determined by Medical Center management for each investment, based upon net asset values derived from the application of the equity method of accounting.

Individual investment holdings within the alternative investments include both non-marketable and market-traded securities. Valuations of the non-marketable securities are determined by the investment manager or general partner. These values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, the carrying amount reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The investments may indirectly expose the Medical Center to securities lending, short sales of securities, and trading in futures and forwards contracts, options and other derivative products. The Medical Center's risk is limited to its carrying value, in addition to any unfunded commitment. At December 31, 2018 and 2017, the Medical Center had approximately $25.9 million and $9.8 million, respectively, of future commitments to invest in alternative investments. Certain investments are subject to notification periods or restrictions in order to divest. The redemption notice period for this asset class ranges from 30 days to 90 days. Funds are generally available within 30 days after the redemption date. At December 31, 2018 and 2017, approximately 35% and 22%, respectively, of alternative investments are held in illiquid private equity funds and distributions are based on the investment managers' discretion. The financial statements of the investees are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the Medical Center's annual consolidated financial statement reporting.

There is uncertainty in the accounting for alternative investments arising from factors such as lack of active markets (primary or secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term.

Investment Gains, Losses and Income: Net realized and unrealized gains and losses on marketable and other securities, including equity in earnings or losses of alternative investments, are recorded in the excess of revenues over expenses unless their use is restricted by explicit donor stipulations or by law. Investment income limited by donor-imposed restrictions is recorded as an increase in net assets with donor restrictions. Realized gains and losses on sales of marketable and other securities are based on the average cost method.

1. Organization and Significant Accounting Policies (continued)

Assets Limited as to Use: Assets so classified represent assets whose use is restricted for specific purposes under terms of agreements, donor restrictions, or employee deferred compensation plans.

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

Deferred Financing Costs: Deferred financing costs represent costs incurred to obtain financing for various construction and renovation projects. Amortization of these costs is determined by the effective interest method extending over the terms of the related indebtedness. Deferred financing costs are included as a reduction to long-term debt in the accompanying consolidated statements of financial position.

Employee Deferred Compensation Plan: Pursuant to various deferred compensation plans in which certain Medical Center employees or former employees participate, the Medical Center deposited employee contributions with trustees on behalf of the participating employees. The Medical Center is not responsible for investment gains or losses incurred. The assets, which are carried at fair value with a corresponding liability, are restricted for payments under the plans and may only revert to the Medical Center under certain specified circumstances. The assets are included in assets limited as to use in the accompanying consolidated statements of financial position.

Premium Revenue: Under certain managed care contracts, the Medical Center receives from the insurer a monthly premium per enrollee during the term of enrollment. The premium revenue, which is based on individual contracts, is recognized in the period earned. Premium revenue included within net patient service revenue in the accompanying consolidated statements of operations aggregated approximately $53.4 million and $153.5 million for the years ended December 31, 2018 and 2017, respectively. The decrease in premium revenue is reflective of the change in membership of MCV and its controlled organizations in 2017.

Performance Indicator: The consolidated statements of operations include excess of revenues over expenses as the performance indicator. Items excluded from excess of revenues over expenses are change in defined benefit pension and other postretirement health plan liabilities to be recognized in future periods and transfers to members, net.

1. Organization and Significant Accounting Policies (continued)

Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and operating expenses and are included in excess of operating revenues over operating expenses before other items. Peripheral transactions or transactions of an infrequent nature are excluded from excess of operating revenues over expenses before other items.

Charity Care and Other Community Benefit Programs: The Medical Center is guided by its mission and charitable purpose to provide charity care and other community benefit programs. These activities include access to medically necessary treatment for individuals unable to pay for services, care provided under means-tested government insurance programs that reimburse the Medical Center at less than the cost of the services provided, education for future health providers, research to advance knowledge and other programs designed to meet local community needs.

The Medical Center is committed to serving all patients in need of health care services. Consistent with its mission and values, and taking into account an individual's ability to pay for medically necessary health care services, the Medical Center provides charity care, including free or discounted care, to all patients not covered by insurance. A key aspect of the policy includes assisting patients in obtaining insurance they are eligible to receive. Care provided under the charity care policy is not reported as net patient service revenue in the accompanying consolidated statements of operations. The cost of charity care is estimated based on charges associated with the care provided, applied to the ratio of total patient care expenses to total charges for all services rendered.

Medicaid and other means-tested programs comprise approximately one-third of the Medical Center's patient service revenue. The costs are estimated based on charges for services provided under the means-tested programs, applied to the ratio of total patient care expenses to total charges for all services rendered. The unpaid cost presented in the table below is based on estimated total costs, less reimbursement received for the services provided.

The Medical Center operates one of the largest medical residency and health professions training programs in the United States. The costs of the training programs are included in operating expenses in the accompanying consolidated statements of operations. The costs presented below are net of graduate medical education funding from the Medicare and Medicaid programs.

1. Organization and Significant Accounting Policies (continued)

Research and other community benefit program costs include expenses incurred to advance medical care and clinical knowledge. In addition, the Medical Center fosters community participation through advisory boards and linkages with community-based groups. It responds to identified community health related needs by offering specific services including, among others, wellness programs, community education programs, health screenings, community support services and subsidized health services. The research and other community benefit program costs presented below are included in operating expenses in the accompanying consolidated statements of operations.

A summary of the costs associated with the provision of charity care and other community benefit programs is as follows:

	Year Ended December 31	
	2018	**2017**
	(In Thousands)	
Charity care, at cost and net of subsidies	**$ 65,975**	$ 54,803
Unpaid cost of means-tested government-sponsored insurance programs	**335,878**	346,330
Health professions training, at cost	**53,372**	47,441
Community benefit programs	**99,493**	95,667
Research	**19,077**	18,888
	$ 573,795	$ 563,129

The New York State Department of Health (NYSDOH) Hospital Indigent Care Pool (the Pool) was established to provide funds to hospitals for the provision of uncompensated care and is funded, in part, by a 1% assessment on hospital net inpatient service revenue. For the years ended December 31, 2018 and 2017, the Medical Center received approximately $10.2 million and $8.7 million, respectively, in Pool distributions related to charity care. The Medical Center made payments into the Pool of approximately $20.6 million and $19.8 million for the years ended December 31, 2018 and 2017, respectively, for the 1% assessment.

1. Organization and Significant Accounting Policies (continued)

Program Services: The Medical Center provides health care and related services primarily within its geographic area. Expenses related to providing these services for the year ended December 31, 2018 are as follows:

	Health Care and Related Services	**Research**	**Program Support and General Services**	**Total**
		(In Thousands)		
Salaries and wages	**$ 1,687,763**	**$ 1,765**	**$ 160,024**	**$ 1,849,552**
Employee benefits	**483,436**	**576**	**43,999**	**528,011**
Supplies and other expenses	**1,188,268**	**2,177**	**147,665**	**1,338,110**
Depreciation and amortization	**93,729**	**–**	**56,422**	**150,151**
Interest	**46,628**	**–**	**1,957**	**48,585**
	$ 3,499,824	**$ 4,518**	**$ 410,067**	**$ 3,914,409**

Expenses related to providing these services for the year ended December 31, 2017 are as follows:

	Health Care and Related Services	**Research**	**Program Support and General Services**	**Total**
		(In Thousands)		
Salaries and wages	$ 1,616,230	$ 1,776	$ 143,769	$ 1,761,775
Employee benefits	466,491	568	39,443	506,502
Supplies and other expenses	1,147,449	1,698	134,802	1,283,949
Depreciation and amortization	99,515	–	51,406	150,921
Interest	29,226	–	2,852	32,078
	$ 3,358,911	$ 4,042	$ 372,272	$ 3,735,225

The financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, interest, and other occupancy costs, are allocated to a function based on a square footage or units of service basis.

1. Organization and Significant Accounting Policies (continued)

Use of Estimates: The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, such as the valuation of accounts receivable for services to patients and estimated insurance recoveries receivable, and liabilities, such as estimated third-party payer liabilities, estimated insurance claims liabilities and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. Actual results could differ from those estimates. During 2018 and 2017, the Medical Center recorded net changes in estimates that increased the excess of revenues over expenses by $1.9 million and $12.5 million, respectively, which primarily related to changes in previously estimated third-party payer settlements and changes to estimated liabilities.

Recently Adopted Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (*ASU 2014-09). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's current revenue recognition requirements and most industry-specific guidance. The FASB subsequently issued ASU 2015-14, *Revenue from Contracts with Customers*, which deferred the effective dates of ASU 2014-09. Based on ASU 2015-14, the provisions of ASU 2014-09 became effective for the Medical Center for annual reporting periods beginning after December 15, 2017. The Medical Center adopted ASU 2014-09 effective January 1, 2018. The Medical Center adopted ASU 2014-09 following the modified retrospective method of application, and as such the prior period financial statements have not been adjusted for the adoption of ASU 2014-09. As a result of implementing ASU 2014-09, certain patient activity where collection is uncertain previously reported as net patient service revenue and bad debt expense in the Medical Center's consolidated statements of operations no longer meets the criteria for revenue recognition and, accordingly, bad debt expense after the adoption date is significantly reduced with a corresponding reduction to net patient service revenue. For the year ended December 31, 2018, the Medical Center recorded approximately $30.6 of implicit price concessions as a direct reduction to net patient service revenue that would have been recorded as bad debt expense prior to the adoption of ASU 2014-09. Additionally, bad debt expense for the year ended December 31, 2018 is now presented as an expense item (included as a component of supplies and other expenses) rather than a reduction to net patient service revenue. Other aspects

1. Organization and Significant Accounting Policies (continued)

of the Medical Center's implementation of ASU 2014-09 impacting net patient service revenue, which include judgments regarding collection analyses and estimates of variable consideration and the addition of certain qualitative and quantitative disclosures, are reflected below within Note 2. The adoption of ASU 2014-09 did not have a material impact in relation to other applicable revenue activity.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Financial Statement Presentation* (ASU 2016-14), which changes the presentation and disclosure requirements of not-for-profit entities (NFPs). The standard changes the requirement for NFPs to classify net assets as unrestricted, temporarily restricted and permanently restricted. Instead, NFPs are required to classify net assets as net assets with donor restrictions or without donor restrictions. The guidance also modifies required disclosures and reporting related to net assets, investment expenses and qualitative information regarding liquidity. NFPs are also required to report all expenses by both functional and natural classification in one location. The Medical Center adopted ASU 2016-14 on December 31, 2018, retrospectively for certain provisions as permitted. With the exception of certain presentation items, the adoption of ASU 2016-14 did not have a significant impact on the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted:

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02), which will require lessees to report most leases on their balance sheet, but recognize expenses on their income statement in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The provisions of ASU 2016-02 are effective for the Medical Center beginning January 1, 2019 and will be applied using a modified retrospective approach. The primary effect of the new standard will be to record right-of-use assets and obligations for current operating leases which will have a material impact on the consolidated statement of financial position and significant incremental disclosures in the consolidated financial statement footnotes. The transition adjustment is not expected to have a material impact on the consolidated statement of operations.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15), which addresses the following eight specific cash flow issues in order to limit diversity in practice: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with

1. Organization and Significant Accounting Policies (continued)

coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The provisions of ASU 2016-15 are effective for the Medical Center for annual periods beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted. The Medical Center is in the process of evaluating the impact of ASU 2016-15 on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash* (ASU 2016-18), which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of ASU 2016-18 are effective for the Medical Center for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. The Medical Center is in the process of evaluating the impact of ASU 2016-18 on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities, and requires entities to evaluate whether the resource provider receives commensurate value. In addition, the standard clarifies the guidance on how entities determine when a contribution is conditional, including whether the agreement includes a barrier (or barriers) that must be overcome for the recipient to be entitled to the transferred assets and a right of return of the transferred assets (or a right of release of the promisor's obligation to transfer the assets). The standard should be applied on a modified prospective basis to agreements that are not completed as of the effective date and to agreements entered into after the effective date. Retrospective application is permitted. ASU 2018-08 applies to all entities that make or receive contributions and is effective for the Medical Center for fiscal years beginning after June 15, 2018, including interim periods within those years. Early adoption is permitted. The Medical Center is in the process of evaluating the impact of ASU 2018-08 on its consolidated financial statements.

1. Organization and Significant Accounting Policies (continued)

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* (ASU 2018-15). The standard aligns the requirement for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this standard. The standard requires the customer in a hosting arrangement that is a service contract to follow the guidance in ASC Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense by determining which project stage an implementation activity relates to and the nature of the costs. The standard also requires the customer to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. ASU 2018-15 is effective for the Medical Center for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted, including adoption in any interim period. Either retrospective or prospective adoption is permitted. The Medical Center is in the process of evaluating the impact of ASU 2018-15 on its consolidated financial statements.

Reclassifications: For purposes of comparison, certain reclassifications have been made to the accompanying 2017 consolidated financial statements to conform to the 2018 presentation. These reclassifications have no effect on the excess of revenues over expenses or net assets for the year ended December 31, 2017.

2. Net Patient Service Revenue

Effective January 1, 2018, upon the adoption of ASU 2014-09, net patient service revenue is reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing patient care.

The Medical Center uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payer classes for inpatient revenue and major payer classes and types of services provided for outpatient revenue. Based on historical collection trends and other analyses, the Medical Center believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

2. Net Patient Service Revenue (continued)

The Medical Center's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Medical Center's standard charges. The Medical Center determines the transaction price associated with services provided to patients who have third-party payer coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payer payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the Medical Center's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Medical Center determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Medical Center's historical collection experience for applicable patient portfolios. Under the Medical Center's charity care policy, a patient who has no insurance or is under-insured and is ineligible for any government assistance program has his or her bill reduced to (1) the lesser of charges or the Medicaid diagnostic-related group for inpatient and (2) a discount from Medicaid fee-for-service rates for outpatient. Patients who meet the Medical Center's criteria for free care are provided care without charge; such amounts are not reported as revenue.

Generally, the Medical Center bills patients and third-party payers several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Medical Center. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Medical Center believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligations based on the services needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the Medical Center's outpatient and ambulatory care centers or in their homes (home care). The Medical Center measures the performance obligation from admission into the hospital or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, the Medical Center has elected to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated

2. Net Patient Service Revenue (continued)

to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the Medical Center's in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended December 31, 2018, changes in the Medical Center's estimates of expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the year ended December 31, 2018 was not significant.

The Medical Center has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payers, lines of business and timing of when revenue is recognized. Tables providing details of these factors are presented below.

Net patient service revenue for the year ended December 31, 2018, by payer is as follows (in thousands):

Medicare and Medicare managed care	$ 1,133,826
Medicaid and Medicaid managed care	1,216,274
Commercial carriers and managed care	1,120,740
Self-pay and other	29,152
	$ 3,499,992

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the self-pay and other category above.

2. Net Patient Service Revenue (continued)

Net patient service revenue for the year ended December 31, 2018 by line of business is as follows (in thousands):

Inpatient services	$ 2,112,970
Physician and other outpatient services	1,226,574
Emergency department	98,078
All other	62,370
	$ 3,499,992

The Medical Center has elected the practical expedient allowed under ASU 2014-09 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Medical Center's expectation that the period of time between the service being provided and billing will be one year or less. However, the Medical Center does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

At December 31, 2018, receivables for patient care, net is comprised of the following components (in thousands):

Patient receivables	$ 173,448
Contract assets	58,100
	$ 231,548

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting date and for which the Medical Center does not have the right to bill.

The allowance for doubtful accounts was not significant at December 31, 2018. The allowance for doubtful accounts was approximately $25.1 million at December 31, 2017.

Settlements with third-party payers (see description of third-party payer payment programs below) for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on

2. Net Patient Service Revenue (continued)

the terms of the payment agreement with the payer, correspondence from the payer and the Medical Center's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the year ended December 31, 2018.

Prior to the adoption of ASU 2014-09, the Medical Center recognized patient service revenue at the estimated net realizable amounts associated with services provided to patients who have third-party payer coverage on the basis of contractual or formula-driven rates for the services rendered and included estimated retroactive revenue adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments were considered in the recognition of revenue on an estimated basis in the period that related services were rendered, and such amounts adjusted in future periods as adjustments became known or as years were no longer subject to such audits, reviews and investigations.

Net patient service revenue, net of contractual allowances and discounts, for the year ended December 31, 2017, is as follows (in thousands):

Medicare and Medicare managed care	$ 1,151,544
Medicaid and Medicaid managed care	1,129,844
Commercial carriers and managed care	1,129,106
Self-pay and other	35,912
	3,446,406
Bad debt expense	(33,486)
Net patient service revenue	$ 3,412,920

2. Net Patient Service Revenue (continued)

Third-Party Payer Programs

The Medical Center has agreements with third-party payers that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare Reimbursement: Hospitals are paid for most Medicare patient services under national prospective payment systems and other methodologies of the Medicare program for certain other services. Federal regulations provide for adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.

Non-Medicare Reimbursement: In New York State, hospitals and all non-Medicare payers, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payers are billed at hospitals' established charges. Medicaid, workers' compensation and no-fault payers pay hospital rates promulgated by the New York State Department of Health (DOH). Payments to hospitals for Medicaid, workers' compensation and no-fault inpatient services are based on a statewide prospective payment system, with retroactive adjustments.

Outpatient services also are paid based on a statewide prospective system. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until the Medical Center is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payers will continue to be made in future years.

Other Third-Party Payers: The Medical Center also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

2. Net Patient Service Revenue (continued)

Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through December 31, 2001, although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for audit and settlement, as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Medical Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Medical Center. The Medical Center is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations. In addition, certain contracts the Medical Center has with commercial payers also provide for retroactive audit and review of claims.

There are various proposals at the federal and state levels that could, among other things, significantly change payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been or will be enacted by the federal and state governments, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Medical Center. Additionally, certain payers' payment rates for various years have been appealed by the Medical Center. If the appeals are successful, additional income applicable to those years could be realized.

3. Availability and Liquidity of Financial Assets

The table below represents financial assets available for general expenditures within one year at December 31, 2018 (in thousands):

Financial assets at year-end:	
Cash and cash equivalents	$ 184,019
Marketable and other securities	1,355,526
Assets limited as to use	164,868
Receivables for patient care, net	231,548
Pledges receivable, net	6,938
Total financial assets	1,942,899
Less amounts not available to be used within one year:	
Donor restricted funds	(70,597)
Lease escrow deposits	(7,012)
Employee deferred compensation plan assets	(46,329)
Security agreement escrow deposit	(30,000)
Alternative investments held in illiquid private equity funds	(30,440)
Financial assets not available to be used within one year	(184,378)
Financial assets available to meet general expenditures over the next twelve months	$ 1,758,521

The Medical Center has certain donor restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Medical Center has other assets limited as to use which are detailed in Note 4. These assets limited as to use are not available for general expenditure within the next year. As part of the Medical Center's liquidity management plan, operating cash in excess of daily requirements are invested in short-term investments and money market funds. Additionally, the Medical Center maintains a $30.0 million line of credit, as discussed in more detail in Note 7. As of December 31, 2018, $30.0 million remained available on the Medical Center's line of credit.

4. Marketable and Other Securities and Assets Limited as to Use

The composition of marketable and other securities and assets limited as to use follows:

	December 31	
	2018	**2017**
	(In Thousands)	
Marketable and other securities	**$ 1,355,526**	$ 656,290
Assets limited as to use	**164,868**	216,068
	$ 1,520,394	$ 872,358
Managed cash and cash equivalents held for investment	**$ 364,640**	$ 40,730
Corporate debt	**792,556**	256,335
U.S. Treasury securities	**44,512**	120,133
U.S. Government agency mortgage-backed securities	**39,513**	50,714
U.S. Government agency-backed securities	**35,330**	25,500
U.S. Equity securities	**55,564**	82,195
Non-equity mutual funds	**49,099**	119,805
Equity mutual funds	**17,782**	22,434
Alternative investments	**87,515**	116,453
Collective trust funds	**31,384**	36,752
Interest and other receivables	**2,499**	1,307
	$ 1,520,394	$ 872,358

The composition of assets limited as to use follows:

	December 31	
	2018	**2017**
	(In Thousands)	
Debt-related sinking funds	**$ –**	$ 75,287
Donor restricted funds	**70,597**	71,099
Managed care cash reserves required by contracts	**10,838**	10,765
Lease escrow deposits	**7,104**	13,347
Employee deferred compensation plan assets	**46,329**	45,570
Security agreement escrow deposit	**30,000**	–
Total assets limited as to use	**164,868**	216,068
Less: current portion of assets limited as to use	**(10,930)**	(15,976)
Assets limited as to use, net of current portion	**$ 153,938**	$ 200,092

4. Marketable and Other Securities and Assets Limited as to Use (continued)

Unrestricted investment returns for the years ended December 31, 2018 and 2017 are comprised as follows:

	Year Ended December 31	
	2018	**2017**
	(In Thousands)	
Interest and dividend income	**$ 30,395**	$ 14,917
Net realized gains and losses	**12,169**	14,019
Change in net unrealized gains and losses	**(27,114)**	23,122
	$ 15,450	$ 52,058

5. Property, Buildings and Equipment

A summary of property, buildings and equipment follows:

	December 31	
	2018	**2017**
	(In Thousands)	
Land and land improvements	**$ 43,771**	$ 40,228
Buildings, fixed equipment and improvements	**1,680,741**	1,652,318
Movable equipment	**1,425,555**	1,362,789
	3,150,067	3,055,335
Less accumulated depreciation and amortization	**(2,178,988)**	(2,030,293)
	971,079	1,025,042
Construction-in-progress	**46,672**	31,313
	$ 1,017,751	$ 1,056,355

Substantially all property, buildings, and equipment are pledged as collateral under various debt agreements.

6. Operating Leases

Total rental expense included in supplies and other expenses aggregated approximately $56.0 million and $49.5 million for the years ended December 31, 2018 and 2017, respectively.

Future minimum payments, by year and in the aggregate, under non-cancelable operating leases with initial or remaining terms of one year or more at December 31, 2018 consisted of the following (in thousands):

2019	$ 47,554
2020	50,119
2021	50,573
2022	46,689
2023	43,789
2024 and thereafter	1,048,061
Total minimum lease payments	$ 1,286,785

7. Long-Term Debt

A summary of long-term debt follows:

	December 31	
	2018	**2017**
	(In Thousands)	
DASNY Series 2018A bonds payable[(a)]	**$ 309,045**	$ –
DASNY Series 2018B bonds payable[(a)]	**376,105**	–
Montefiore Obligated Group Series 2018C bonds payable[(a)]	**481,950**	–
FHA Section 242 insured mortgage loan[(b)]	–	79,998
FHA Section 241 insured mortgage loans[(c)]	–	240,587
HDC residential revenue bonds payable[(d)]	–	5,600
Bank loans payable[(e)]	**2,774**	77,613
Housing II mortgages payable[(f)]	**18,071**	18,252
Housing I mortgage payable[(g)]	–	1,074
MCORP bonds payable[(h)]	–	17,630
NYC IDA bonds payable[(h)]	–	12,380
Build NYC bonds payable[(i)]	**63,613**	67,620
Equipment leasing programs[(j)]	**56,515**	209,384
Ambulatory care center financing[(k)]	**55,390**	56,419
DASNY mortgages [(l)]	**26,921**	14,868
Other	**1,122**	1,874
	1,391,506	803,299
Add long-term mortgage premiums[(a, c, h)]	**31,842**	939
Less long-term debt discount[(a)]	**(1,480)**	–
Less deferred financing costs	**(24,168)**	(5,547)
Less current portion	**(17,195)**	(74,475)
	$ 1,380,505	$ 724,216

[(a)] In August 2018, three series of bonds were issued; the Dormitory Authority of the State of New York (DASNY) Montefiore Obligated Group Revenue Bonds, Series 2018A (Tax-Exempt) (the Series 2018A Bonds); the DASNY Montefiore Obligated Group Revenue Bonds, Series 2018B (Federally Taxable) (the Series 2018B Bonds); and the Montefiore Obligated Group Taxable Bonds, Series 2018C (the Series 2018C Bonds),

7. Long-Term Debt (continued)

(collectively, the Series 2018 Bonds). The proceeds from the Series 2018 Bonds were used to refund or refinance certain existing indebtedness (see sections b – e, h and j below), provide working capital, and fund future projects. As a result of the refinancing, the Medical Center recorded a gain on debt refinancing of approximately $2.1 million during 2018. The Series 2018 Bonds are general obligations of the Montefiore Obligated Group (of which the Medical Center is currently the only member) and further secured by a mortgage on certain real property.

The Series 2018A Bonds were sold at a premium, of which approximately $31.8 million was recorded as a component of the related long-term debt as of December 31, 2018, and is being amortized using the effective interest method over the term of the Series 2018A Bonds. The Series 2018A Bonds maturing from 2024 through 2035 carry a coupon rate of 5.00% and the Series 2018A Bonds maturing from 2036 through 2038 carry a coupon rate of 4.00%. Interest payments are due semiannually beginning February 1, 2019. With the exception of certain limited circumstances, the Series 2018A Bonds may not be prepaid prior to August 1, 2028. Subsequent to August 1, 2028, the Series 2018A Bonds may be prepaid without penalty.

The Series 2018B Bonds were sold at a discount, of which approximately $1.5 million was recorded as a component of the related long-term debt as of December 31, 2018, and is being amortized using the effective interest method over the term of the Series 2018B Bonds. The Series 2018B Bonds maturing August 1, 2034 carry a 5.10% coupon rate and begin to amortize in 2030. The Series 2018B Bonds maturing August 1, 2048 have a 4.96% coupon rate and begin to amortize in 2035. The Series 2018B Bonds maturing in 2034 may be prepaid at any time subject to certain restrictions. Interest payments are due semiannually beginning February 1, 2019. With the exception of certain limited circumstances, the Series 2018B Bonds maturing in 2048 may not be prepaid prior to August 1, 2028, after which they may be prepaid without penalty. The principal and interest of the Series 2018B Bonds maturing in 2048 is insured by a third party.

The Series 2018C Bonds mature in 2048 and carry a coupon rate of 5.25% and begin to amortize November 1, 2035. Interest payments are due semiannually beginning in May 2019. The Series 2018C Bonds may be prepaid at any time, subject to certain restrictions.

7. Long-Term Debt (continued)

(b) Prior to the August 2018 refinancing noted in section (a) above, the Medical Center had a mortgage agreement insured under the provisions of the Federal Housing Administration (FHA) 242 Program to finance certain construction and renovation projects. The loan was secured by a first mortgage on substantially all of the Medical Center's real property and certain other assets and carried an interest rate of 2.47%. On August 1, 2018, the mortgage loan was satisfied through the issuance of the Series 2018 Bonds.

(c) Prior to the August 2018 refinancing noted in section (a) above, the Medical Center had four mortgage agreements insured under the provisions of the FHA 241 Program to finance certain construction and renovation projects. The interest rates on the mortgage loans ranged from 3.21% to 4.55%. The Medical Center recorded a mortgage premium as a component of long-term debt related to the termination of a forward starting interest rate swap agreement. The balance outstanding was approximately $804,000 at December 31, 2017. The mortgage premium was being amortized over the life of the mortgage using the effective interest method. On August 1, 2018, the mortgage loans were satisfied through the issuance of the Series 2018 Bonds and the remaining mortgage premium was written off.

(d) Prior to the August 2018 refinancing noted in section (a) above, the proceeds of New York City Housing Development Corporation (HDC) revenue bonds were used by the Medical Center for a staff housing project. Interest was payable monthly at a variable rate (3.08% at December 31, 2017). The amounts due were secured by a mortgage and a revenue pledge on the underlying property financed and an irrevocable direct pay letter of credit issued by a bank in the amount of approximately $5.7 million at December 31, 2017. No unreimbursed draws were made under the direct pay letter of credit during the years ended December 31, 2018 and 2017. On August 1, 2018, the HDC revenue bonds were refunded with the proceeds of the Series 2018 Bonds and the letter of credit was terminated.

7. Long-Term Debt (continued)

(e) Bank loans payable consist of the following at December 31, 2018 and 2017:

	December 31	
	2018	**2017**
	(In Thousands)	
Medical Center bank loans payable at varying dates through November 2021, at fixed and variable rates ranging from 3.43% – 3.73% at December 31, 2017	**$ –**	$ 12,624
Medical Center bank loan payable due in September 2022 at a fixed rate of 4.00%	**299**	–
Medical Center mortgage loan payable due in February 2019 at a fixed rate of 1.67%	–	30,000
MCORP mortgage loan payable due in March 2020 at a fixed rate of 2.49%	–	34,989
MCORP bank loan payable due in May 2028 at a fixed rate of 4.13%	**2,475**	–
	$ 2,774	$ 77,613

On August 1, 2018, several of the loans were paid off with the proceeds of the Series 2018 Bonds. The Medical Center has a line of credit with a bank aggregating approximately $30.0 million. At December 31, 2018 and 2017, no amounts were outstanding under this line. The line of credit expires in June 2019.

(f) Housing II has primary and subordinate mortgage agreements with HDC. At December 31, 2018 and 2017, the primary mortgage amount outstanding was approximately $5.3 million and $5.5 million, respectively. The primary mortgage has a final maturity date in January 2035 and the interest rate is 6.5%. At December 31, 2018 and 2017, the subordinate mortgage amount outstanding was approximately $12.8 million and bears no interest. The subordinate mortgage is payable in full in April 2035 and Housing II has used 1.8% as the interest rate for the purposes of recognizing interest expense under the assumption that the mortgages will remain outstanding through 2035.

7. Long-Term Debt (continued)

Substantially all of Housing II's property and equipment rents and profits are collateral for the mortgages. In addition, any requests for rental increases must be approved by HDC. During the years ended December 31, 2018 and 2017, Housing II maintained the reserve for replacement account in accordance with HDC requirements. Monthly deposits aggregating approximately $5,000 are required to be made into this account.

(g) Housing I had a mortgage loan agreement with a lender with a final maturity date in July 2026 which was paid off in full during 2018. At December 31, 2017, the principal balance outstanding was approximately $1.1 million and the interest rate was 7.6%.

(h) Prior to the August 2018 refinancing noted in section (a) above, MCORP financed the acquisition of certain real estate with the proceeds of two financings: New York City Industrial Development Agency (NYC IDA) revenue bonds and MCORP taxable bonds. Interest on the NYC IDA bonds had an average coupon rate of 4.96% at December 31, 2017. Interest on the MCORP taxable bonds was payable monthly at a variable rate of 3.08% at December 31, 2017. The bonds were sold at a premium, of which approximately $135,000 was recorded as a component of the related long-term debt as of December 31, 2017.

Both bond issues were secured by direct pay letters of credit from a bank in the amounts of approximately $12.9 million and $18.0 million at December 31, 2017. The letters of credit were secured by a mortgage on the properties financed. No unreimbursed draws were made under the direct pay letters of credit during the years ended December 31, 2018 and 2017. On August 1, 2018, both series of MCORP bonds were refunded with the proceeds of the Series 2018 Bonds, the remaining mortgage premium was written off and the letters of credit were terminated.

(i) During 2013, the Medical Center issued Build NYC Resource Corporation Revenue Bonds, Series 2013A and Series 2013B (2013 Bonds) through Build NYC Resource Corporation, to finance a leasehold renovation project secured by a leasehold mortgage. At December 31, 2018 and 2017, a total of approximately $63.6 million and $67.6 million was outstanding, respectively. Interest on the 2013 Bonds is payable monthly at variable rates (3.46% and 2.42% at December 31, 2018 and 2017, respectively). Principal is payable monthly through June 2030. The 2013 Bonds are subject to prepayment without penalty, upon satisfaction of certain notice provisions.

7. Long-Term Debt (continued)

(j) In addition to amounts previously borrowed, the Medical Center borrowed approximately $46.7 million during the year ended December 31, 2017, under equipment leases to finance certain capital projects (no amounts were borrowed during the year ended December 31, 2018). The interest rates associated with the Medical Center's various equipment lease borrowings range from 1.06% to 2.23%. On August 1, 2018, certain of these leases were paid off with the proceeds of the Series 2018 Bonds.

(k) The Medical Center has a real estate lease for an ambulatory care center. The lease was accounted for as a financing transaction; accordingly, an obligation of approximately $55.4 million and $56.4 million was outstanding at December 31, 2018 and 2017, respectively. Payments of principal and interest commenced in September 2015 and extend through September 2030.

(l) The Medical Center has two loan agreements with DASNY in connection with substance abuse treatment facilities, one of which was entered into during 2018. The loans are secured by mortgages on the facilities. At December 31, 2018 and 2017, a total of approximately $26.9 million and $14.9 million was outstanding, respectively. Interest payments are due semiannually at rates ranging from approximately 3.85% to 4.40% and principal payments are due annually through February 2030 on the first loan and February 2036 on the second loan. To the extent that the Medical Center continues to meet certain conditions, its obligations to make interest and principal payments will be funded by the New York State Office of Alcoholism and Substance Abuse Services (OASAS) under a state aid grant lien. During 2018 and 2017, OASAS funded approximately $3.2 million and $1.5 million, respectively, of principal, interest and fees associated with this loan.

The aggregate amount of principal payments required under all long-term indebtedness, including capital leases, at December 31, 2018 are as follows (in thousands):

2019	$ 16,035
2020	17,010
2021	17,721
2022	18,473
2023	19,252
2024 and thereafter	1,303,015
	$ 1,391,506

7. Long-Term Debt (continued)

Prior to August 1, 2018, the Medical Center was required to place specified amounts into mortgage reserve funds and maintain the mortgage reserve funds at specified minimum balances for the FHA insured mortgage loans. At December 31, 2017, the Medical Center met the funding requirements and minimum mortgage reserve fund balances related to the FHA insured mortgage loans. In connection with the refinancing of the FHA insured loans on August 1, 2018, the mortgage reserve funds were released.

Certain of the Medical Center's property, buildings and equipment and other assets serve as collateral under the various debt arrangements. In addition, the Medical Center must maintain certain financial ratios and, among other things, obtain approval to incur additional debt in certain circumstances. The Medical Center was in compliance with such covenants at December 31, 2018 and 2017.

Interest paid during the years ended December 31, 2018 and 2017, amounted to approximately $26.3 million and $31.0 million, respectively.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	December 31	
	2018	**2017**
	(In Thousands)	
Health care related services	**$ 56,426**	$ 56,863
Collateralizing bank financing, teaching and research	**38,075**	38,073
Construction and renovation projects	**8,914**	8,782
Research	**6,602**	6,704
Other	**784**	1,246
	$ 110,801	$ 111,668

8. Net Assets with Donor Restrictions (continued)

The Medical Center follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as it relates to its endowments.

The Medical Center's endowments consist of donor-restricted funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Medical Center requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Medical Center classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) if applicable, any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Endowment assets include those assets of donor-restricted funds that the Medical Center must hold in perpetuity or for a donor-specified term.

The Medical Center's investment and spending policies for endowment assets seek to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets.

For the years ended December 31, 2018 and 2017, the Medical Center had the following endowment-related activities:

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
		(In Thousands)	
Endowment balance, beginning of year	**$ –**	**$ 35,554**	**$ 35,554**
Additions	**–**	**–**	**–**
Investment income	**468**	**(205)**	**263**
Amounts appropriated for expenditure	**(468)**	**(89)**	**(557)**
Net change in endowment funds	**–**	**(294)**	**(294)**
Endowment balance, end of year	**$ –**	**$ 35,260**	**$ 35,260**

8. Net Assets with Donor Restrictions (continued)

	2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
	(In Thousands)		
Endowment balance, beginning of year	$ –	$ 33,572	$ 33,572
Additions	–	1,590	1,590
Investment income	192	448	640
Amounts appropriated for expenditure	(192)	(56)	(248)
Net change in endowment funds	–	1,982	1,982
Endowment balance, end of year	$ –	$ 35,554	$ 35,554

9. Benefit Plans

The Medical Center is a contributing employer to two union multiemployer defined benefit pension plans. In addition, the Medical Center also maintains two tax deferred annuity plans under Section 403(b) of the Internal Revenue Code, as well as two noncontributory defined benefit pension plans.

Contributions to union multiemployer pension plans are made in accordance with contractual agreements under which contributions are based on a percentage of salaries or a negotiated amount. Contributions to the noncontributory tax deferred annuity plans are based on percentages of salary. Contributions to the noncontributory defined benefit plans are based on actuarial valuations. Benefits under the noncontributory defined benefit plans are based on years of service and salary levels. The Medical Center's policy is to contribute amounts sufficient to meet funding requirements in accordance with the Employee Retirement Income Security Act of 1974 and the Pension Protection Act of 2006.

Total expense, included in the accompanying consolidated statements of operations for the various pension plans, aggregated approximately $149.1 million and $137.1 million for the years ended December 31, 2018 and 2017, respectively. Cash payments relative to the various pension plans aggregated approximately $152.3 million and $136.0 million for the years ended December 31, 2018 and 2017, respectively.

9. Benefit Plans (continued)

The Medical Center also sponsors two unfunded defined benefit postretirement health and welfare plans that cover certain full-time and part-time employees and eligible dependents.

Multiemployer Plans

The Medical Center contributes to two multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover its union-represented employees: New York State Nurses Association Pension Plan (NYSNA) and the 1199SEIU Healthcare Employees Pension Fund (1199SEIU). The risks of participating in these multiemployer plans are different from single-employer plans in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If an entity of the multiemployer defined benefit pension plan chooses to stop participating in some of its multiemployer plans, the entity may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Medical Center's participation in these plans for the years ended December 31, 2018 and 2017 is outlined in the following table. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan numbers. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2018 and 2017 is for the plans' year end at December 31, 2017 and 2016, respectively. The zone status is based on information that the Medical Center received from the plans and is certified by the plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less

9. Benefit Plans (continued)

than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status January 1, 2018	Pension Protection Act Zone Status January 1 2017	FIP/RP Status Pending Implemented	Contributions from the Medical Center 2018	Contributions from the Medical Center 2017	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
					(In Thousands)			
NYSNA	13-6604799/001	Green	Green	N/A	**$ 28,125**	$ 26,466	No	12/31/2018
1199SEIU	13-3604862/001	Green	Green	N/A	**$ 55,755**	$ 51,144	No	9/30/2021

The Medical Center was listed in the plans' Forms 5500 as providing more than 5% of the total contributions for the following plan years:

Pension Fund	Year Contributions to Plan Exceeded More Than 5% of Total Contributions (as of December 31 of the Plan's Year End)
NYSNA	2017 and 2016
1199SEIU	2017 and 2016

At the date the Medical Center's consolidated financial statements were issued, Forms 5500 were not available for the plans' year ended in 2018.

Defined Benefit Plans

The Medical Center recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of the defined benefit plans in its consolidated statements of financial position. Net unrecognized actuarial losses and net unrecognized prior service costs at the reporting date will be subsequently recognized in the future as net periodic pension benefit cost pursuant to the Medical Center's accounting policy for amortizing such amounts.

9. Benefit Plans (continued)

Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension benefit cost in the same periods will be recognized as a component of net assets without donor restrictions.

Included in net assets without donor restrictions at December 31, 2018 and 2017 are the following amounts that have not yet been recognized in net periodic pension benefit cost:

	Pension		Postretirement	
	2018	**2017**	**2018**	**2017**
	(In Thousands)			
Unrecognized actuarial loss	**$ 18,036**	$ 15,818	**$ 30,381**	$ 43,819
Unrecognized prior service cost (credit)	**45**	89	**(276)**	(2,055)
	$ 18,081	$ 15,907	**$ 30,105**	$ 41,764

The unrecognized net prior service cost (credit) and actuarial loss included in net assets without donor restrictions expected to be recognized as net periodic benefit cost during the year ending December 31, 2019 are approximately ($0.2) million and $3.3 million, respectively.

9. Benefit Plans (continued)

The following tables provide a reconciliation of the changes in the benefit obligations and fair value of plan assets (where applicable) of the defined benefit pension plans and postretirement benefit plan for the years ended December 31, 2018 and 2017, and the funded status of such plans as of December 31, 2018 and 2017:

	Pension		Postretirement	
	2018	**2017**	**2018**	**2017**
	(In Thousands)			
Changes in benefit obligation				
Benefit obligation at January 1	**$ 47,745**	$ 43,619	**$ 186,484**	$ 156,610
Service cost	**6,300**	5,211	**12,450**	11,313
Interest cost	**1,400**	1,709	**7,155**	6,921
Actuarial loss (gain)	**1,648**	4,447	**(9,893)**	16,290
Benefit payments, net	**(14,531)**	(7,241)	**(5,412)**	(4,650)
Benefit obligation at December 31	**$ 42,562**	$ 47,745	**$ 190,784**	$ 186,484
Change in plan assets				
Fair value of plan assets at January 1	**$ 28,547**	$ 25,273	**$ –**	$ –
Actual return on plan assets	**(2,050)**	3,245	**–**	–
Employer contributions	**14,692**	7,270	**5,412**	4,650
Benefit payments, net	**(14,531)**	(7,241)	**(5,412)**	(4,650)
Fair value of plan assets at December 31	**$ 26,658**	$ 28,547	**$ –**	$ –
Funded status				
Amounts recognized in the consolidated statements of financial position	**$ (15,904)**	$ (19,198)	**$ (190,784)**	$ (186,484)

At December 31, 2018 and 2017, approximately $16.4 million and $15.5 million, respectively, related to the funded status of the plans was included in accrued salaries, wages and related items in the accompanying consolidated statements of financial position.

The actuarial gains in 2018 are due to an increase in the discount rates.

The accumulated benefit obligation for the Medical Center's defined benefit plans as of December 31, 2018 and 2017 was approximately $28.8 million and $30.7 million, respectively.

9. Benefit Plans (continued)

The following table provides the components of the net periodic pension benefit cost for the defined benefit pension plans and postretirement benefit plan for the years ended December 31, 2018 and 2017:

	Pension		Postretirement	
	2018	**2017**	**2018**	**2017**
	(In Thousands)			
Service cost	**$ 6,300**	$ 5,211	**$ 12,450**	$ 11,313
Interest cost	**1,400**	1,709	**7,155**	6,921
Expected return on plan assets	**(1,901)**	(1,799)	–	–
Amortization of prior service cost (benefit)	**45**	116	**(1,779)**	(1,779)
Amortization of net loss	**1,805**	1,253	**3,545**	1,884
Settlement cost	**1,575**	1,139	–	–
Net periodic pension benefit cost	**$ 9,224**	$ 7,629	**$ 21,371**	$ 18,339
Weighted-average assumptions used to determine benefit obligations as of December 31				
Discount rate	**3.65%–4.45%**	3.31%–3.90%	**4.46%**	3.90%
Rate of compensation increase	**3.00%–4.00%**	3.00%–4.00%	**3.00%**	3.00%
Weighted-average assumptions used to determine net periodic pension benefit cost for the years ended December 31				
Discount rate	**3.31%–3.90%**	4.17%–4.52%	**3.90%**	4.50%
Expected long-term rate of return on plan assets	**6.50%**	6.50%	**–**	–
Rate of compensation increase	**3.00%–4.00%**	3.00%–4.00%	**–**	–

The overall expected long-term rate of return on plan assets is based on the historical returns of each asset class weighted by the target asset allocation. The target asset allocation has been selected consistent with the plan's desired risk and return characteristics. The Medical Center's independent consulting actuaries review the expected long-term rate periodically and based on the building block approach, updated the rate for changes in the marketplace.

9. Benefit Plans (continued)

The Medical Center's defined benefit pension plan weighted-average asset allocations, by asset category, are as follows:

	December 31	
	2018	**2017**
Fixed income mutual funds	**60%**	57%
Equity mutual/common trust funds	**35**	39
Cash and cash equivalents	**5**	4
	100%	100%

Defined benefit pension plan assets are carried at fair value and generally consist of fixed income securities issued or guaranteed by government entities, money market funds, mutual funds, fixed income securities issued by corporations, equity securities and common collective funds measured at net asset value. Refer to Note 11 for additional fair value measurement information related to the defined benefit plan asset categories noted in the table above.

The target allocations for the defined benefit pension plan's assets are as follows:

Global public equity	29%
Return-seeking credit	8%
Global real estate	4%
Fixed income	59%

Assumed health care cost trend rates at December 31 are as follows:

	2018	**2017**
Health care cost trend rate	**6.80%**	7.60%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**4.30%**	4.50%
Years that the rate reaches the ultimate trend rate	**2026**	2025

The measurement dates used to determine defined benefit pension and postretirement plan costs were December 31, 2018 and 2017.

9. Benefit Plans (continued)

During the year ending December 31, 2019, the Medical Center expects to contribute approximately $11.1 million and $6.8 million to the defined benefit pension and postretirement plans, respectively.

Expected benefit payments by year as of December 31, 2018 are as follows:

	Pension	Postretirement
	(*In Thousands*)	
2019	$ 11,298	$ 6,808
2020	10,208	7,431
2021	8,109	7,952
2022	7,058	8,444
2023	7,319	8,938
2024–2028	28,078	52,271

Assumed health care cost trend rates have a significant effect on the amounts reported for the defined benefit postretirement plans. A 1% change in assumed health care cost trend rates would have the following effects relating to the postretirement plans:

	2018		**2017**	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
	(In Thousands)			
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	**$ 3,382**	**$ (2,709)**	$ 3,540	$ (2,829)
Effect on the health care component of the accumulated postretirement benefit obligation	**28,545**	**(23,541)**	28,042	(23,171)

10. Commitments, Contingencies and Other

Litigation

Claims have been asserted against the Medical Center by various claimants arising out of the normal course of its operations. The claims are in various stages of processing and some may ultimately be brought to trial. Also, there are known incidents occurring through December 31, 2018, that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. Medical Center management and counsel are unable to conclude about the ultimate outcome of the actions. However, it is the opinion of Medical Center management, based on prior experience that adequate insurance is maintained and adequate provisions for professional liabilities, where applicable, have been established to cover all significant losses and that the eventual liability, if any, will not have a material adverse effect on the Medical Center's consolidated financial position.

Professional and Other Insured Liabilities

The Medical Center participates in the Federation of Jewish Philanthropies (FOJP), which is a pooled insurance program for professional and general liabilities with other health care facilities (the FOJP Program). Participation in this occurrence basis insurance program is through captive and commercial insurance companies.

Effective January 1, 2018, the Montefiore Medicine Academic Health System Self Insurance Trust (MMAHS Trust) was established to provide coverage in excess of FOJP Program limits. MMAHS is the sole member of the MMAHS Trust. Currently, only the Medical Center participates in the MMAHS Trust. As of December 31, 2018, the Medical Center recorded its net share of the irrevocable MMHAS Trust which consists of cash and investments of $7.6 million on behalf of the Medical Center, a receivable from the Medical Center of $60.8 million and had actuarially determined liabilities of approximately $67.0 million. Such amount is recorded within other noncurrent assets in the consolidated statements of financial position.

The Medical Center's malpractice insurance programs offer a deferred premium arrangement in which 36% of the annual premium is paid in the current year and the balance is payable over four years. Total liabilities associated with the FOJP Program were approximately $115.1 million and $191.6 million at December 31, 2018 and 2017, respectively. Total liabilities associated with the MMAHS Trust were approximately $64.4 million at December 31, 2018. The liabilities principally relate to the deferred premium arrangement, the participating hospitals' guarantee of certain investment returns of the captive companies and retroactive premium adjustments.

10. Commitments, Contingencies and Other (continued)

As of December 31, 2018, the Medical Center retained ownership interests of 25% in three captive insurance companies affiliated with the FOJP Program. The Medical Center has recognized its allocated share of the program's accumulated surplus using the equity method of accounting. Such amounts (approximately $173.3 million and $166.6 million at December 31, 2018 and 2017, respectively) are included in other noncurrent assets in the accompanying consolidated statements of financial position. In December 2017, one of the captive insurance companies declared a dividend of approximately $54.0 million to be distributed based on each owner's respective ownership interest. As a result, the Medical Center recorded a dividend receivable of approximately $13.5 million which is recorded within other receivables in the accompanying consolidated statement of financial position as of December 31, 2017.

The Medical Center has recognized estimated insurance claims receivable and estimated insurance claims liabilities of approximately $481.0 million (approximately $86.6 million current and $394.4 million long-term) and approximately $540.6 million (approximately $81.1 million current and $459.5 million long-term) at December 31, 2018 and 2017, respectively. Such amounts represent the actuarially determined present value, discounted at approximately 4.0% and 4.9% at December 31, 2018 and 2017, respectively, of insurance claims that are anticipated to be covered by insurance. The amounts reported in the December 31, 2018 and 2017, consolidated statements of financial position for estimated insurance claims receivable and estimated insurance claims liabilities reflect the financial impact of the Medical Center's employed physicians.

In February 2014, the FOJP program and the various affiliated captive insurance companies began an internal investigation into several insurance regulatory and related matters that had come to the attention of the FOJP companies' management. The FOJP Companies and legal counsel reported the preliminary investigative findings to the New York State Department of Financial Services (DFS), the primary State insurance regulator throughout the investigation. DFS also conducted its own investigation of the issues that were raised and related matters. During 2017, the FOJP companies and DFS resolved the outstanding matters through an agreed stipulation which did not have a material effect on the Medical Center's consolidated financial statements.

The Medical Center guarantees a certain level of investment return of the captive insurance companies and may be required to fund shortfalls resulting from differences between guaranteed and actual investment returns. To the extent that the actual investment returns exceed the guaranteed return, liabilities from prior shortfalls may be forgiven. Such amounts are recorded as malpractice insurance program adjustments in the consolidated statements of operations.

10. Commitments, Contingencies and Other (continued)

During the years ended December 31, 2018 and 2017, the Medical Center recorded approximately $49.4 million and $1.2 million, respectively, of positive malpractice insurance program adjustments. Approximately $30.8 million of the 2018 adjustment related to retroactive premium adjustments. Approximately $18.6 million of the 2018 adjustment and all of the 2017 adjustment related to a net reduction in the amount owed for the guarantee of certain investment returns of the captive insurance companies.

The cumulative amounts owed for the guarantee of investment returns of the captive insurance companies are reflected in accounts payable and accrued expenses (none at December 31, 2018 and approximately $8.3 million at December 31, 2018 and 2017, respectively) and professional and other insured liabilities (none at December 31, 2018 and approximately $8.4 million as of December 31, 2017) in the accompanying consolidated statements of financial position.

On November 27, 2018, Mount Sinai Health System, Beth Israel Medical Center, Maimonides Medical Center and the Medical Center, collectively the owners of Hospitals Insurance Company (HIC) and FOJP, announced their agreement to sell HIC and FOJP to The Doctors Company for $650 million, subject to closing adjustments. The transaction is subject to regulatory approvals and is expected to close in 2019. HIC has provided the hospitals and related physicians with medical malpractice insurance for 40 years. The hospitals will share in the proceeds ratably according to their ownership.

Albert Einstein College of Medicine, Inc. (Einstein)

In 2015, Einstein, a controlled member of MMAHS, acquired substantially all of the assets and assumed substantially all of the liabilities of a medical school previously operating as a division of Yeshiva University (YU). In connection with this transaction $175.0 million Build NYC Resource Corporation Revenue Bonds were issued. The Build NYC Resource Corporation Revenue Bonds carry a 5.50% coupon rate and mature on September 1, 2045. Interest is payable semiannually and principal is payable annually commencing on September 1, 2020.

In addition, in 2015, Einstein issued to YU a promissory note (the Note) under which it was obligated to pay to YU twenty annual payments of $12.5 million beginning September 2017, followed by a final, twenty-first payment of $20.0 million in September 2037. Pursuant to a guaranty agreement (Guaranty Agreement), the Medical Center guaranteed Einstein's obligation to make payments under the Note. If the Medical Center was required to make payments under the Guaranty Agreement, Einstein would have been obligated to repay the Medical Center, in full,

10. Commitments, Contingencies and Other (continued)

over five years with interest. The Medical Center's right to repayment was subordinate in certain respects to Einstein's obligation to make payments on the Build NYC Resource Corporation Revenue Bonds.

In April 2017, the Note was cancelled and exchanged with three Replacement Negotiable Promissory Notes (the Replacement Notes) in the total principal amount of $162.2 million. The Replacement Notes carry interest rates ranging from 4.52% to 5.74% effective March 17, 2017. The Guaranty Agreement was amended to cover payments made by Einstein under the Replacement Notes. On May 1, 2017, the aggregate amounts payable by Einstein under the Replacement Notes were amended to $3.8 million in 2017, with annual payments of $8.3 million from 2018 to 2020, $36.0 million in 2021, $12.5 million from 2022 to 2036, followed by a final payment of $20.0 million in 2037.

During 2018 and 2017, approximately $4.2 million and $1.5 million, respectively, was paid by the Medical Center on Einstein's behalf pursuant to the Guaranty Agreement, as amended. During 2018, the Medical Center forgave the amounts owed from Einstein of approximately $5.5 million under this agreement, which was recorded within transfers to members, net in the consolidated statements of operations.

The Medical Center has an agreement to provide operating subsidies to Einstein over a five-year period commencing September 2015 in an aggregate amount of up to $80.0 million. The Medical Center will provide this subsidy in varying amounts to be funded upon the receipt and approval of documentation of unreimbursed research expenses incurred. The subsidy will total an amount not to exceed $10.0 million per year in each of the first two years, and not to exceed $20.0 million per year in each of the third, fourth and fifth years (see Note 14).

The Medical Center has also agreed to provide loans to Einstein in an aggregate amount of up to $75.0 million as necessary to allow it to meet its cash flow requirements. The first loan was funded in 2017 in the amount of $35.0 million. The loan was secured by a subordinate mortgage on certain of Einstein's real property. During 2018, the Medical Center reserved the amounts owed from Einstein of approximately $36.8 million under this agreement, which was recorded within transfers to members, net in the consolidated statements of operations.

10. Commitments, Contingencies and Other (continued)

In March 2018, the Medical Center entered into a commitment to provide financial support, including working capital and bridge financing, as necessary, to Einstein in order for Einstein to meet its operational needs. During 2018, the Medical Center provided approximately $33.0 million to Einstein which was recorded within transfers to members, net in the consolidated statements of operations.

Other

At December 31, 2018 and 2017, approximately 66% of the Medical Center's employees were covered by collective bargaining agreements. The collective bargaining agreement with NYSNA expired in December 2018. A new contract is currently being negotiated. For the duration of the negotiations, NYSNA employees are being compensated under the terms of the previous contract. The collective bargaining agreement with 1199SEIU will expire in September 2021.

In connection with agreements entered into between MIPA, HIPA and several health insurance companies, the Medical Center has agreed to guarantee the performance and payment of certain hospital, physician and administrative services.

Effective January 1, 2018, a controlled member of MHS acquired an equity interest in a joint venture with Crystal Run Healthcare, LLP. In accordance with the purchase agreement, the Medical Center entered into a security agreement by which the Medical Center deposited $30.0 million in escrow as security for the purchase price.

11. Fair Value Measurements

For assets and liabilities required to be measured at fair value, the Medical Center measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Medical Center's perspective.

The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

11. Fair Value Measurements (continued)

The Medical Center follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

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

Level 3 – Unobservable inputs are used when little or no market data is available.

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

11. Fair Value Measurements (continued)

Financial assets carried at fair value, including assets invested in the Medical Center's defined benefit pension plan, are classified in the table below in one of the three categories described above as of December 31, 2018:

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Assets				
Cash and cash equivalents	**$ 184,019**	**$ –**	**$ –**	**$ 184,019**
Managed cash and cash equivalents held for investment	**364,640**	**–**	**–**	**364,640**
Marketable and other securities:				
U.S. non-equity mutual funds	**49,099**	**–**	**–**	**49,099**
U.S. equity mutual funds	**17,782**	**–**	**–**	**17,782**
U.S. Government agency mortgage-backed securities	**–**	**39,513**	**–**	**39,513**
U.S. Treasury securities	**44,512**	**–**	**–**	**44,512**
U.S. Government agency-backed securities	**–**	**35,330**	**–**	**35,330**
U.S. equity securities	**55,564**	**–**	**–**	**55,564**
Corporate debt	**–**	**792,556**	**–**	**792,556**
Interest and other receivables	**2,499**	**–**	**–**	**2,499**
	718,115	**867,399**	**–**	**1,585,514**
Defined benefit pension plan assets				
Cash and cash equivalents	**1,313**	**–**	**–**	**1,313**
Equity mutual funds	**9,386**	**–**	**–**	**9,386**
Fixed income mutual funds	**3,153**	**–**	**–**	**3,153**
	13,852	**–**	**–**	**13,852**
	$ 731,967	**$ 867,399**	**$ –**	**1,599,366**
Investments measured at net asset value (defined benefit pension plan assets)				**12,806**
				$ 1,612,172

11. Fair Value Measurements (continued)

Financial assets carried at fair value, including assets invested in the Medical Center's defined benefit pension plan, are classified in the table below in one of the three categories described above as of December 31, 2017:

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Assets				
Cash and cash equivalents	$ 253,978	$ –	$ –	$ 253,978
Managed cash and cash equivalents held for investment	40,730	–	–	40,730
Marketable and other securities:				
U.S. non-equity mutual funds	119,805	–	–	119,805
U.S. equity mutual funds	22,434	–	–	22,434
U.S. Government agency mortgage-backed securities	–	50,714	–	50,714
U.S. Treasury securities	120,133	–	–	120,133
U.S. Government agency-backed securities	–	25,500	–	25,500
U.S. equity securities	82,195	–	–	82,195
Corporate debt	–	256,335	–	256,335
Interest and other receivables	1,307	–	–	1,307
	640,582	332,549	–	973,131
Defined benefit pension plan assets				
Cash and cash equivalents	1,051	–	–	1,051
Equity mutual funds	11,207	–	–	11,207
Fixed income mutual funds	2,663	–	–	2,663
	14,921	–	–	14,921
	$ 655,503	$ 332,549	$ –	988,052
Investments measured at net asset value (defined benefit pension plan assets)				13,626
				$ 1,001,678

At December 31, 2018 and 2017, the Medical Center's alternative investments and collective trust funds, excluding those within the defined benefit pension plan, are reported using the equity method of accounting in the amount of approximately $118.9 million and $153.2 million, respectively, and, therefore, are not included in the tables above.

11. Fair Value Measurements (continued)

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

The carrying values and fair values of the Medical Center's financial instruments that are not required to be carried at fair value are as follows at December 31:

	2018		2017	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
	(In Thousands)			
Long-term debt	**$ 1,448,439**	**$ 1,421,868**	$ 798,553	$ 804,238

The fair value of the Medical Center's bonds payable is based on quoted market prices for the related bonds. The fair value of other debt is based upon discounted cash flow analyses, using estimated borrowing rates for similar types of debt. Fair value of bonds payable is classified as Level 1, while fair value of other debt is classified as Level 2.

12. Concentration of Credit Risk

At December 31, 2018 and 2017, excluding investments in bond mutual funds, approximately 8% and 23%, respectively, of the Medical Center's marketable securities were issued by either the United States Government or its agencies.

12. Concentration of Credit Risk (continued)

At December 31, 2018 and 2017, significant concentrations of receivables for patient care include approximately 12% and 19% from Medicare, 7% and 6% from Medicaid and 76% and 74% from commercial and managed care organizations, respectively, of which 7% and 9% was due from Blue Cross plans at December 31, 2018 and 2017, respectively.

Net patient service revenue from the Medicare and Medicare managed care programs accounted for approximately 32% and 33% for the years ended December 31, 2018 and 2017, respectively, and net patient service revenue from the Medicaid and Medicaid managed care programs accounted for approximately 35% and 33% of the Medical Center's net patient service revenue for the years ended December 31, 2018 and 2017, respectively. Approximately 11% of net patient service revenue was from Blue Cross plans at December 31, 2018. No other specific payer exceeded 10% of net patient service revenue.

13. Other Revenue

Other revenue included in the consolidated statements of operations for the years ended December 31, 2018 and 2017 consisted of the following:

	2018	2017
	(In Thousands)	
Care management administrative fees	**$ 69,422**	$ 52,127
DSRIP revenue	**48,074**	44,800
Patient care quality incentive revenue	**46,285**	43,455
Equity earnings from investments	**42,674**	31,625
Interest and dividend income	**30,395**	14,917
Staff housing and other rental income	**13,437**	15,182
Continuing Medical Education programs	**13,321**	14,459
Government Electronic Health Record Incentive Program	**10,000**	5,004
Gain on sales of property, buildings and equipment	**9,349**	2,360
Cafeteria revenue	**7,807**	1,719
Parking revenue	**6,336**	6,217
Net assets released from restrictions used for operations	**3,892**	3,652
Shared savings programs	**–**	(412)
Net realized and changes in unrealized gains and losses on employee deferred compensation plan assets	**(3,237)**	6,557
All other	**21,153**	19,116
	$ 318,908	$ 260,778

13. Other Revenue (continued)

New York State distributes federally-funded amounts through a payment mechanism referred to as the Delivery System Reform Incentive Payment (DSRIP) program. The DSRIP program is a five-year program intended to promote community-level collaborations to focus on health system reform and enhance the value provided by the health care system. DSRIP funding is available to certain hospitals and providers participating in networks (referred to as Performing Provider Systems, PPS) that are able to establish performance improvement activities in certain predefined clinical improvement areas. The PPS that the Medical Center coordinates has submitted plans for clinical improvement projects in order to be eligible for payments under the DSRIP program. The Medical Center received approximately $43.4 million and $52.3 million during 2018 and 2017, respectively, and recorded approximately $35.8 million and $36.0 million, respectively, in other revenue during the years ended December 31, 2018 and 2017 for amounts received under this DSRIP program.

Certain payments under the DSRIP program are subject to meeting specified performance criteria and other requirements which may be evaluated in future periods. The Medical Center also participates in a PPS and recorded approximately $12.2 million and $8.8 million in other revenue during the years ended December 31, 2018 and 2017, respectively related to participation in this program.

14. Related-Party Transactions

At December 31, 2018 and 2017, amounts due from (to) members, net were comprised of the following:

	December 31	
	2018	**2017**
	(In Thousands)	
Note due from MHS[a]	**$ 123,935**	$ 126,088
Due from (to) members, net:		
MHS[b]	**(17,930)**	(3,420)
Montefiore New Rochelle Hospital[c]	**8,829**	3,128
Montefiore Mount Vernon Hospital[c]	**10,952**	1,409
Schaffer Extended Care Center [c]	**1,002**	1,018
Montefiore HMO, LLC[d]	**6,231**	7,404
The Montefiore IPA, Inc.[e]	**49,203**	32,646
Bronx Accountable Healthcare Network IPA, Inc. [f]	**21,208**	22,009
University Behavioral Associates, Inc.[g]	**(16,989)**	(10,869)
Montefiore Behavioral Care IPA No. 1, Inc. [g]	**562**	1,504
Montefiore Nyack Hospital	**698**	–
St. Luke's Cornwall Hospital[c]	**(1,265)**	1,325
Albert Einstein College of Medicine, Inc.[h]	**(3,431)**	38,598
MMAHS [i]	**(2,492)**	1,915
Montefiore Innovations, Inc.	**(1,819)**	–
Montefiore Information Technology, LLC[j]	**(19,008)**	(17,748)
Montefiore North Ambulatory Care Center, Inc.	**(209)**	(4)
MMC GI Holdings, East, Inc.	**(2,189)**	(2,632)
MMC GI Holdings, West, Inc.	**(1,940)**	(2,431)
	155,348	199,940
Less current portion	**(25,861)**	(32,476)
Due from members, net of current portion	**$ 129,487**	$ 167,464

14. Related-Party Transactions (continued)

(a) During 2018 and 2017, the Medical Center provided advances to MHS under a note arrangement (the MHS Note), the proceeds of which were used by MHS to provide loans to several members to fund their ongoing operations.

During 2018 and 2017, the Medical Center advanced approximately $3.2 million and $17.4 million, respectively, to MHS, which was subsequently advanced to White Plains Hospital Center. The amounts advanced to MHS were recorded as a capital contribution. In addition, in connection with the 2018 debt refinancing (Note 7), the Medical Center repaid an outstanding loan between MHS and a bank. Approximately $26.3 million was recorded as a capital contribution related to this.

(b) The Medical Center purchases various management, administrative and staffing services from MHS. For the years ended December 31, 2018 and 2017, transactions charged (at cost) by MHS to the Medical Center were approximately $19.8 million and $9.3 million, respectively, and include payroll and benefits charges (89% and 94% for the years ended December 31, 2018 and 2017, respectively) and various other shared services (11% and 6% for the years ended December 31, 2018 and 2017, respectively).

(c) The Medical Center provides various shared services to the members. Management determines the allocation of costs based on each member's usage of services; however, actual amounts charged to the members may vary from the allocation of costs based on management's assessment of the member's ability to pay or other contractual agreements. For the years ended December 31, 2018 and 2017, transactions charged by the Medical Center to these members were approximately $16.8 million and $21.2 million, respectively, and included as an offset to supplies and other expenses in the consolidated statements of operations.

(d) Montefiore HMO, LLC (MHMO), an Article 44 insurance company, contracts with the Medical Center to facilitate the provision of managed long-term home health care services. For the years ended December 31, 2018 and 2017, the Medical Center recorded net patient service revenue derived from such contract of approximately $1.0 million and $1.1 million, respectively.

14. Related-Party Transactions (continued)

In addition, CMO provides a health risk management infrastructure (claims administration and care management) to MHMO, of which its fees are based on a percentage of premiums. For the years ended December 31, 2018 and 2017, CMO recorded other revenue of approximately $11.0 million and $9.6 million, respectively.

In 2012, the Medical Center issued a surplus note to MHMO (the Surplus Note) of approximately $6.1 million which bears interest at an annual rate of Wall Street Journal Prime plus 1% (6.25% and 5.50% at December 31, 2018 and 2017, respectively). The aggregate amount of the Surplus Note was approximately $7.7 million and $7.4 million at December 31, 2018 and 2017, respectively.

(e) MIPA contracts with multiple insurance companies, under capitated and risk-sharing arrangements to be responsible for the cost of the provision of healthcare services to a defined group of individuals. MIPA also contracts with healthcare providers, including the Medical Center, to provide services to covered individuals. For the years ended December 31, 2018 and 2017, the Medical Center recorded net patient service revenue derived from such contract of approximately $247.0 million and $203.8 million, respectively. Approximately $34.1 million was eliminated in the consolidated statements of operations for the year ended December 31, 2017 (none in 2018). The decrease in amounts eliminated in consolidation is reflective of the change in membership of MCV and its controlled organizations in 2017 (see Note 1).

In addition, CMO provides a health risk management infrastructure (claims administration and care management) to MIPA, of which its fees are based on a percentage of premiums. For the years ended December 31, 2018 and 2017, CMO recorded other revenue of approximately $42.0 million and $36.9 million, respectively. Approximately $7.2 million was eliminated in the consolidated financial statements (none in 2018). The decrease in amounts eliminated in consolidation is reflective of the change in membership of MCV and its controlled organizations in 2017 (see Note 1). The amounts due from MIPA at December 31, 2018 and 2017 relate to unpaid services provided by CMO.

(f) CMO provides all management and administrative services to ACO-IPA. For the years ended December 31, 2018 and 2017, CMO recorded other revenue of approximately $3.1 million and $4.0 million, respectively. Amounts due to the Medical Center relate to advances to ACO-IPA during the year to meet the funding requirements for payment to CMO.

14. Related-Party Transactions (continued)

(g) UBA provides management services to MBCIPA and through the support of the Medical Center has entered into several Federal, state and city grant contracts to provide services in the areas of drug counseling, career counseling and family related matters. The amounts due to UBA at December 31, 2018 relate to cash received on UBA's behalf by the Medical Center.

(h) Transactions between Einstein and the Medical Center relate to costs for clinical training, research, professional services and related supporting services (at cost). The Medical Center has also agreed to provide loans to Einstein in an aggregate amount of up to $75.0 million as necessary to allow it to meet its cash flow requirements. The first loan was funded in 2017 in the amount of $35.0 million. During 2018 and 2017, the Medical Center reserved amounts owed from Einstein of approximately $42.3 million and $4.8 million, respectively, recorded within transfers to members, net in the consolidated statements of operations. During 2018 and 2017, the Medical Center also made capital contributions of approximately $20.0 million and $14.4 million, respectively, to Einstein in accordance with an agreement to provide operating subsidies to Einstein over a five-year period (see Note 10).

(i) The Medical Center purchases various management, administrative and staffing services from MMAHS. For the years ended December 31, 2018 and 2017, transactions charged (at cost) by MMAHS to the Medical Center were approximately $32.8 million and $21.7 million, respectively, comprised of payroll and benefits charges.

(j) The Medical Center purchases information technology and support services (at cost) from Montefiore Information Technology, LLC. For the years ended December 31, 2018 and 2017, the expense incurred by the Medical Center related to such services was approximately $111.2 million and $107.1 million, respectively, and is included within supplies and other expense in the consolidated statements of operations.

14. Related-Party Transactions (continued)

During 2018, the Medical Center forgave amounts owed from MBCIPA of approximately $13.2 million, recorded within transfers to members, net in the consolidated statements of operations. During 2017, the Medical Center forgave amounts owed from Montefiore North Ambulatory Care Center, Inc. of approximately $1.3 million, respectively, recorded within transfers to members, net in the consolidated statements of operations.

During the years ended December 31, 2018 and 2017, the Medical Center's performing provider system (PPS), MHVC, received approximately $70.3 million and $68.4 million in DSRIP Value Based Payment Quality Improvement Program (VBP QIP) funding, which was distributed to Montefiore New Rochelle Hospital, Montefiore Mount Vernon Hospital, Montefiore Nyack Hospital and St. Luke's Cornwall Hospital. VBP QIP was created by New York State to provide financially distressed hospitals and the PPSs with which they are associated the opportunity to collaborate with Medicaid managed care organizations for the successful implementation of VBP contracts as a means toward long-term financial sustainability. VBP QIP revenue and related expenditures have no net impact on the consolidated statements of operations of the Medical Center.

In December 2018, the Medical Center entered into a mortgage loan agreement with White Plains Hospital Center to fund up to $248.5 million for a certain construction project (the Loan Agreement). Interest on the Loan Agreement is based on a fixed rate of 4.50%. During the construction period, interest shall accrue on the amounts drawn and outstanding. As of December 31, 2018, no funds have been drawn.

15. Subsequent Events

The Medical Center evaluated subsequent events through April 12, 2019, which is the date the consolidated financial statements were issued, for potential recognition or disclosure in the accompanying consolidated financial statements for the year ended December 31, 2018. No subsequent events occurred that require disclosure in or adjustment to the consolidated financial statements.

Supplementary Information

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

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

Report of Independent Auditors on Supplementary Information

The Board of Trustees
Montefiore Medical Center

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Montefiore Medical Center and its controlled organizations, as of and for the years ended December 31, 2018 and 2017, and have issued an unmodified opinion thereon dated April 12, 2019. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statement of financial position as of December 31, 2018 and consolidating statement of operations for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

April 12, 2019

Montefiore Medical Center

Consolidating Statement of Financial Position

(In Thousands)

December 31, 2018

	Montefiore Medical Center	CMO	MCORP	MPC	Other Consolidated Companies	Eliminations	Consolidated Total
Assets							
Current assets:							
Cash and cash equivalents	$ 104,482	$ 6,500	$ 1,533	$ 8,364	$ 63,140	$ –	$ 184,019
Marketable and other securities	1,354,687	–	–	–	839	–	1,355,526
Assets limited as to use, current portion	10,917	–	–	13	–	–	10,930
Receivables for patient care, net	230,408	–	–	–	1,140	–	231,548
Other receivables	39,860	2,896	345	262	378	266	44,007
Estimated insurance claims receivable, current portion	86,575	–	–	–	–	–	86,575
Other current assets	66,197	776	2	200	839	–	68,014
Due from members, current portion	194,270	–	–	–	1,981	(170,390)	25,861
Total current assets	2,087,396	10,172	1,880	8,839	68,317	(170,124)	2,006,480
Assets limited as to use, net of current portion	146,488	–	–	–	7,450	–	153,938
Property, buildings and equipment, net	921,606	2,093	73,247	3,192	17,966	(353)	1,017,751
Estimated insurance claims receivable, net of current portion	394,399	–	–	–	–	–	394,399
Other noncurrent assets	206,843	–	2,238	144	6,418	(430)	215,213
Due from members, net of current portion	129,487	–	–	–	–	–	129,487
Total assets	$ 3,886,219	$ 12,265	$ 77,365	$ 12,175	$ 100,151	$ (170,907)	$ 3,917,268

Montefiore Medical Center

Consolidating Statement of Financial Position (continued)

(In Thousands)

December 31, 2018

	Montefiore Medical Center	CMO	MCORP	MPC	Other Consolidated Companies	Eliminations	Consolidated Total
Liabilities and net assets (deficiency)							
Current liabilities:							
Accounts payable and accrued expenses	$ 249,369	$ 3,088	$ 1,213	$ 44	$ 51,869	$ –	$ 305,583
Accrued salaries, wages and related items	264,249	5,698	–	23	416	–	270,386
Professional and other insured liabilities, current portion	61,989	–	–	–	–	–	61,989
Estimated insurance claims liabilities, current portion	86,575	–	–	–	–	–	86,575
Estimated third-party payer liabilities, current portion	33,332	–	–	–	2	–	33,334
Long-term debt, current portion	16,949	–	26	27	193	–	17,195
Due to members	–	89,552	54,885	184	25,769	(170,390)	–
Total current liabilities	712,463	98,338	56,124	278	78,249	(170,390)	775,062
Long-term debt, net of current portion	1,359,264	–	2,297	1,066	17,878	–	1,380,505
Noncurrent defined pension benefit and other postretirement health plan liabilities	190,279	–	–	–	–	–	190,279
Professional and other insured liabilities, net of current portion	117,454	–	–	–	–	–	117,454
Employee deferred compensation	46,329	–	–	–	–	–	46,329
Estimated insurance claims liabilities, net of current portion	394,399	–	–	–	–	–	394,399
Estimated third-party payer liabilities, net of current portion	211,014	–	–	–	–	–	211,014
Other noncurrent liabilities	60,536	1,512	–	144	331	–	62,523
Total liabilities	3,091,738	99,850	58,421	1,488	96,458	(170,390)	3,177,565
Net assets (deficiency):							
Without Donor Restrictions	690,577	(87,585)	18,944	10,687	(3,204)	(517)	628,902
With Donor Restrictions	103,904	–	–	–	6,897	–	110,801
Total net assets (deficiency)	794,481	(87,585)	18,944	10,687	3,693	(517)	739,703
Total liabilities and net assets (deficiency)	$ 3,886,219	$ 12,265	$ 77,365	$ 12,175	$ 100,151	$ (170,907)	$3,3,917,268

Montefiore Medical Center

Consolidating Statement of Operations
(In Thousands)

Year Ended December 31, 2018

	Montefiore Medical Center	CMO	MCORP	MPC	Other Consolidated Companies	Eliminations	Consolidated Total
Operating revenue							
Net patient service revenue	$ 3,519,536	$ 2	$ –	$ –	$ 14,111	$ (33,657)	$ 3,499,992
Grants and contracts	87,141	25	–	195	–	–	87,361
Contributions	10,068	–	–	12	1	–	10,081
Other revenue	203,044	69,181	10,664	10,472	45,607	(20,060)	318,908
Total operating revenue	3,819,789	69,208	10,664	10,679	59,719	(53,717)	3,916,342
Operating expenses							
Salaries and wages	1,802,690	38,843	–	403	7,616	–	1,849,552
Employee benefits	546,360	11,781	–	123	2,334	(32,587)	528,011
Supplies and other expenses	1,270,529	34,868	4,997	1,563	45,934	(19,781)	1,338,110
Depreciation and amortization	144,724	882	2,980	243	1,322	–	150,151
Interest	46,628	–	2,913	64	329	(1,349)	48,585
Total operating expenses	3,810,931	86,374	10,890	2,396	57,535	(53,717)	3,914,409
Excess (deficiency) of operating revenues over operating expenses before other items	8,858	(17,166)	(226)	8,283	2,184	–	1,933
Net realized and changes in net unrealized gains and losses on marketable and other securities	(14,946)	–	–	–	1	–	(14,945)
Malpractice insurance program adjustments	49,354	–	–	–	–	–	49,354
Net periodic pension and other postretirement health benefit costs (non-service related)	(11,845)	–	–	–	–	–	(11,845)
Gain on debt refinancing	2,901	–	(767)	–	–	–	2,134
Excess (deficiency) of revenues over expenses	34,322	(17,166)	(993)	8,283	2,185	–	26,631
Change in defined benefit pension and other postretirement plan liabilities to be recognized in future periods	9,485	–	–	–	–	–	9,485
Transfers to members, net	(137,655)	(2,308)	–	–	–	–	(139,963)
(Decrease) increase in net assets without donor restrictions	$ (93,848)	$ (19,474)	$ (993)	$ 8,283	$ 2,185	$ –	$ (103,847)

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APPENDIX B-2

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MONTEFIORE MEDICAL CENTER AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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Consolidated Financial Statements (Unaudited)

Montefiore Medical Center

For the Nine Months Ended September 30, 2019 and 2018

Montefiore Medical Center

Consolidated Financial Statements (Unaudited)

For the Nine Months Ended September 30, 2019 and 2018

Contents

Montefiore Medical Center

Consolidated Statements of Financial Position

	Unaudited September 30, 2019	Audited December 31, 2018
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 151,445**	$ 184,019
Marketable and other securities	**1,477,258**	1,355,526
Assets limited as to use, current portion	**30,115**	10,930
Receivables for patient care, net	**281,537**	231,548
Other receivables	**51,145**	44,007
Estimated insurance claims receivable, current portion	**86,575**	86,575
Other current assets	**68,111**	68,014
Due from members, current portion	**70,892**	25,861
Total current assets	**2,217,078**	2,006,480
Assets limited as to use, net of current portion	**150,835**	153,938
Property, buildings and equipment, net	**1,094,627**	1,017,751
Right-of-use assets – operating leases	**522,087**	–
Estimated insurance claims receivable, net of current portion	**394,399**	394,399
Other noncurrent assets	**82,184**	215,213
Due from members, net of current portion	**121,439**	129,487
Total assets	**$ 4,582,649**	$ 3,917,268
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 303,545**	$ 305,583
Accrued salaries, wages and related items	**278,852**	270,386
Professional and other insured liabilities, current portion	**63,049**	61,989
Estimated insurance claims liabilities, current portion	**86,575**	86,575
Estimated third-party payer liabilities, current portion	**53,061**	33,334
Long-term debt, current portion	**23,323**	17,195
Operating lease liabilities, current portion	**10,045**	–
Total current liabilities	**818,450**	775,062
Long-term debt, net of current portion	**1,434,809**	1,380,505
Operating lease liabilities, net of current portion	**512,042**	–
Noncurrent defined benefit pension and other postretirement health plan liabilities	**189,426**	190,279
Professional and other insured liabilities, net of current portion	**123,426**	117,454
Employee deferred compensation	**57,639**	46,329
Estimated insurance claims liabilities, net of current portion	**394,399**	394,399
Estimated third-party payer liabilities, net of current portion	**210,983**	211,014
Other noncurrent liabilities	**66,462**	62,523
Total liabilities	**3,807,636**	3,177,565
Commitments and contingencies		
Net assets:		
Without donor restrictions	**665,560**	628,902
With donor restrictions	**109,453**	110,801
Total net assets	**775,013**	739,703
Total liabilities and net assets	**$ 4,582,649**	$ 3,917,268

See accompanying notes.

Montefiore Medical Center

Consolidated Statements of Operations

	Unaudited Nine Months Ended September 30,	
	2019	**2018**
	(In Thousands)	
Operating revenue		
Net patient service revenue	**$ 2,786,642**	$ 2,618,250
Grants and contracts	**68,685**	61,393
Contributions	**2,189**	4,763
Other revenue	**229,983**	216,218
Total operating revenue	**3,087,499**	2,900,624
Operating expenses		
Salaries and wages	**1,448,312**	1,373,858
Employee benefits	**435,857**	389,099
Supplies and other expenses	**1,032,537**	974,429
Depreciation and amortization	**110,880**	117,612
Interest	**52,902**	29,804
Total operating expenses	**3,080,488**	2,884,802
Excess of operating revenues over operating expenses before other items	**7,011**	15,822
Net realized and changes in net unrealized gains and losses on marketable and other securities	**34,915**	9,689
Malpractice insurance program adjustments	**31,095**	42,278
Gain on sale of equity interest in captive insurance company	**32,747**	–
Net periodic pension and other postretirement benefit costs (non-service related)	**(15,756)**	(8,858)
Gain on debt refinancing	**–**	2,134
Excess of revenues over expenses	**90,012**	61,065
Change in defined benefit pension and other postretirement health plan liabilities to be recognized in future periods	**5,759**	–
Other changes in net assets without donor restrictions	**11,439**	–
Transfers to members, net	**(70,552)**	(28,985)
Increase in net assets without donor restrictions	**$ 36,658**	$ 32,080

See accompanying notes.

Montefiore Medical Center

Consolidated Statements of Changes in Net Assets

Unaudited Nine Months Ended September 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
		(In Thousands)	
Net assets at January 1, 2018	$ 732,749	$ 111,668	$ 844,417
Increase in net assets without donor restrictions	32,080	–	32,080
Restricted gifts, bequests, and similar items	–	63	63
Restricted investment income	–	314	314
Net assets released from restrictions	–	(2,865)	(2,865)
Total changes in net assets	32,080	(2,488)	29,592
Net assets at September 30, 2018	$ 764,829	$ 109,180	$ 874,009
Net assets at January 1, 2019	**$ 628,902**	**$ 110,801**	**$ 739,703**
Increase in net assets without donor restrictions	**36,658**	**–**	**36,658**
Restricted gifts, bequests, and similar items	**–**	**675**	**675**
Restricted investment income	**–**	**707**	**707**
Net assets released from restrictions	**–**	**(2,730)**	**(2,730)**
Total changes in net assets	**36,658**	**(1,348)**	**35,310**
Net assets at September 30, 2019	**$ 665,560**	**$ 109,453**	**$ 775,013**

See accompanying notes.

Montefiore Medical Center

Consolidated Statements of Cash Flows

	Unaudited Nine Months Ended September 30, 2019	2018
	(In Thousands)	
Operating activities		
Increase in net assets	**$ 35,310**	$ 29,592
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**110,880**	117,612
Change in defined benefit pension and other postretirement health plan liabilities to be recognized in future periods	**(5,759)**	–
Transfers to members, net	**70,552**	28,985
Derecognition of build to suit lease	**(13,017)**	–
Net realized gains and losses on marketable and other securities	**(5,280)**	(7,876)
Change in net unrealized gains and losses on marketable and other securities	**(29,635)**	(1,813)
Equity earnings from investments	**(5,779)**	(24,290)
Gain on sale of equity interest in captive insurance company	**(32,747)**	–
Amortization of long-term mortgage premium	**(1,757)**	(565)
Amortization of deferred financing costs	**901**	796
Write-off of long-term mortgage premium and deferred financing costs as a result of debt refinancing	–	4,005
Changes in operating assets and liabilities:		
Receivables for patient care	**(49,989)**	(26,378)
Accounts payable and accrued expenses	**(2,038)**	13,963
Accrued salaries, wages and related items	**8,466**	(26,317)
Noncurrent defined benefit and postretirement health plan liabilities	**4,906**	(818)
Net change in all other operating assets and liabilities	**(11,969)**	(54,321)
Net cash provided by operating activities	**73,045**	52,575
Investing activities		
Acquisition of property, buildings and equipment, net	**(122,845)**	(77,405)
Proceeds from sale of equity interest in captive insurance company	**171,201**	–
Payments from Montefiore Health System, Inc. on MHS Note	**30,108**	1,605
Increase in marketable and other securities, net	**(86,817)**	(692,613)
(Increase) decrease in assets limited to use, net	**(16,082)**	47,313
Net cash used in investing activities	**(24,435)**	(721,100)
Financing activities		
Payments of long-term debt	**(12,206)**	(45,601)
Extinguishment of long-term debt	**–**	(545,139)
Proceeds from long-term debt	**–**	1,200,939
Net proceeds from credit line	**21,600**	–
Payments of deferred financing costs	**–**	(24,482)
Loans and other payments to members, net	**(90,578)**	(13,967)
Net cash (used in) provided by financing activities	**(81,184)**	571,750
Net decrease in cash and cash equivalents	**(32,574)**	(96,775)
Cash and cash equivalents at beginning of year	**184,019**	253,978
Cash and cash equivalents at end of period	**$ 151,445**	$ 157,203

See accompanying notes.

Montefiore Medical Center

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2019

1. Organization

Montefiore Medical Center and its controlled organizations (collectively, the Medical Center) comprise an integrated health care delivery system. The majority of the facilities are located in the Bronx, New York. The Medical Center is incorporated under New York State Not-for-Profit Corporation law and provides health care and related services, primarily to residents of the Metropolitan New York area. The Medical Center is a not-for-profit membership organization whose sole member is Montefiore Health System, Inc. (MHS). In addition, MHS is the sole member of several other health care related entities (members). Montefiore Medicine Academic Health System, Inc. (MMAHS) is the sole member of MHS.

The Medical Center, together with its members, provides patient care, teaching, research, community services and care management. The Medical Center operates many community benefit programs, including wellness programs, community education programs and health screenings, as well as a variety of community support services, health professionals' education, school health programs and subsidized health services.

The accompanying consolidated financial statements include the accounts of the following tax-exempt and taxable organizations.

- Montefiore Medical Center
- MMC Corporation (MCORP)
- Gunhill MRI P.C. (Gunhill)
- Mosholu Preservation Corporation (MPC)
- CMO The Care Management Company, LLC (CMO)
- Montefiore Proton Acquisition, LLC (MPRO)
- MMC Residential Corp. I, Inc. (Housing I)
- Montefiore Hospital Housing Section II, Inc. (Housing II)
- Montefiore Hudson Valley Collaborative LLC (MHVC)
- Montefiore CERC Operations, Inc. (CERC)

All intercompany accounts and activities have been eliminated in consolidation.

Interim Financial Statements

The Medical Center presumes that users of this unaudited consolidated financial information have read or have access to the Medical Center's audited consolidated financial statements which include certain disclosures required by U.S. generally accepted accounting principles. The audited consolidated financial statements of the Medical Center for the years ended December 31, 2018 and 2017 are on file with the Municipal Securities Rulemaking Board and are accessible through its Electronic Municipal Market Access Database. Accordingly, footnotes and other disclosures that would substantially duplicate the disclosures contained in the Medical Center's most recent audited consolidated financial statements have been omitted from the unaudited consolidated financial information. In the opinion of management, all material adjustments considered necessary for a fair presentation have been included.

1. Organization (continued)

Health care operations and the financial results thereof are subject to seasonal variations. Quarterly and other periodic operating results are not necessarily representative of operations for a full year for various reasons including patient volumes associated with seasonal illnesses, elective services, variations in interest rates, infrequent or one-time events and changes in regulatory or industry policies.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. Actual results could differ from those estimates. For the nine months ended September 30, 2019 and 2018, there were no material changes in estimates.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* (ASU 2016-02), which requires the rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. ASU 2016-02 requires disclosures to help the financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease will primarily depend on its classification as a finance or operating lease. The Medical Center adopted ASU 2016-02 on January 1, 2019 utilizing the modified retrospective approach. ASU 2016-02 had a material impact on the Medical Center's consolidated statement of financial position, but did not have an impact on the consolidated statement of operations. Under the modified retrospective approach, prior period amounts were not required to be adjusted. The Medical Center applied the transitional package of practical expedients allowed by ASU 2016-02 relating to the identification, classification and initial direct costs of leases commencing before the effective date of Topic 842; however, the Medical Center did not elect the hindsight transitional practical expedient. The Medical Center also elected the practical expedient to utilize a risk-free rate as the incremental borrowing rate for all leases in transition and prospectively.

Under the new standard, the Medical Center derecognized its build to suit asset and liability as of the transition date, which resulted in an increase to net assets without donor restrictions of approximately $13.0 million and is included in other changes in net assets without donor restrictions. The related lease was evaluated under the new guidance and recorded as a financing lease obligation amounting to approximately $111.2 million.

1. Organization (continued)

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15), which addresses the following eight specific cash flow issues in order to limit diversity in practice: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The Medical Center adopted ASU 2016-15 effective January 1, 2019. The adoption did not have a material effect on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash* (ASU 2016-18), which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Medical Center adopted ASU 2016-18 effective January 1, 2019. The adoption did not have a material effect on the consolidated financial statements.

In September 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities, and requires entities to evaluate whether the resource provider receives commensurate value. In addition, the standard clarifies the guidance on how entities determine when a contribution is conditional, including whether the agreement includes a barrier (or barriers) that must be overcome for the recipient to be entitled to the transferred assets and a right of return of the transferred assets (or a right of release of the promisor's obligation to transfer the assets). The standard should be applied on a modified prospective basis to agreements that are not completed as of the effective date and to agreements entered into after the effective date. Retrospective application is permitted. ASU 2018-08 applies to all entities that make or receive contributions. The Medical Center adopted ASU 2018-08 effective January 1, 2019. The adoption did not have a material effect on the consolidated financial statements.

1. Organization (continued)

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* (ASU 2018-15). The standard aligns the requirement for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this standard. The standard requires the customer in a hosting arrangement that is a service contract to follow the guidance in ASC Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense by determining which project stage an implementation activity relates to and the nature of the costs. The standard also requires the customer to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. ASU 2018-15 is effective for the Medical Center for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted, including adoption in any interim period. Either retrospective or prospective adoption is permitted. The Medical Center is in the process of evaluating the impact of ASU 2018-15 on its consolidated financial statements.

Subsequent Events

The Medical Center evaluated subsequent events through November 26, 2019, which is the date the unaudited consolidated financial statements were issued, for potential recognition or disclosure in the accompanying consolidated financial statements for the nine months ended September 30, 2019. No subsequent events have occurred that require disclosure in the consolidated financial statements.

2. Net Patient Service Revenue

Effective January 1, 2018, upon the adoption of ASU 2014-09, net patient service revenue is reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing patient care.

2. Net Patient Service Revenue (continued)

The Medical Center uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payer classes for inpatient revenue and major payer classes and types of services provided for outpatient revenue. Based on historical collection trends and other analyses, the Medical Center believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Medical Center's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Medical Center's standard charges. The Medical Center determines the transaction price associated with services provided to patients who have third-party payer coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payer payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the Medical Center's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Medical Center determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Medical Center's historical collection experience for applicable patient portfolios. Under the Medical Center's charity care policy, a patient who has no insurance or is under-insured and is ineligible for any government assistance program has his or her bill reduced to (1) the lesser of charges or the Medicaid diagnostic-related group for inpatient and (2) a discount from Medicaid fee-for-service rates for outpatient. Patients who meet the Medical Center's criteria for free care are provided care without charge; such amounts are not reported as revenue.

Generally, the Medical Center bills patients and third-party payers several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Medical Center. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Medical Center believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligations based on the services needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the Medical Center's outpatient and ambulatory care centers or in their homes (home care). The Medical Center measures the performance obligation from admission into the hospital or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

2. Net Patient Service Revenue (continued)

As substantially all of its performance obligations relate to contracts with a duration of less than one year, the Medical Center has elected to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the Medical Center's in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the nine months ended September 30, 2019 and 2018, changes in the Medical Center's estimates of expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the nine months ended September 30, 2019 and 2018 was not significant.

The Medical Center has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payers, lines of business and timing of when revenue is recognized. Tables providing details of these factors are presented below.

Net patient service revenue for the nine months ended September 30, 2019 and 2018 by payer is as follows:

	2019	**2018**
	(In Thousands)	
Medicare and Medicare managed care	**$ 913,282**	$ 846,708
Medicaid and Medicaid managed care	**898,903**	908,113
Commercial carriers and managed care	**945,528**	843,299
Self-pay and other	**28,929**	20,130
	$ 2,786,642	$ 2,618,250

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the self-pay and other category above.

2. Net Patient Service Revenue (continued)

Net patient service revenue for the nine months ended September 30, 2019 and 2018 by line of business is as follows:

	2019	2018
	(In Thousands)	
Inpatient services	**$ 1,564,581**	$ 1,543,550
Physician and other outpatient services	**1,098,256**	955,358
Emergency department	**74,115**	71,386
All other	**49,690**	47,956
	$ 2,786,642	$ 2,618,250

The Medical Center has elected the practical expedient allowed under ASU 2014-09 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Medical Center's expectation that the period of time between the service being provided and billing will be one year or less. However, the Medical Center does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

At September 30, 2019 and December 31, 2018, receivables for patient care, net is comprised of the following components:

	September 30, 2019	December 31, 2018
	(In Thousands)	
Patient receivables	**$ 211,264**	$ 173,448
Contract assets	**70,273**	58,100
	$ 281,537	$ 231,548

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting date and for which the Medical Center does not have the right to bill.

2. Net Patient Service Revenue (continued)

Settlements with third-party payers (see description of third-party payer payment programs below) for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Medical Center's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the nine months ended September 30, 2019 and 2018.

3. Third-Party Payment Programs

The Medical Center has agreements with third-party payers that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare Reimbursement: Hospitals are paid for most Medicare patient services under national prospective payment systems and other methodologies of the Medicare program for certain other services. Federal regulations provide for adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.

Non-Medicare Reimbursement: In New York State, hospitals and all non-Medicare payers, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payers are billed at hospitals' established charges. Medicaid, workers' compensation and no-fault payers pay hospital rates promulgated by the New York State Department of Health (DOH). Payments to hospitals for Medicaid, workers' compensation and no-fault inpatient services are based on a statewide prospective payment system, with retroactive adjustments.

Outpatient services also are paid based on a statewide prospective system. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until the Medical Center is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payers will continue to be made in future years.

Other Third-Party Payers: The Medical Center also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

3. Third-Party Payment Programs (continued)

Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through December 31, 2001, although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for audit and settlement, as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Medical Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Medical Center. The Medical Center is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations. In addition, certain contracts the Medical Center has with commercial payers also provide for retroactive audit and review of claims.

There are various proposals at the federal and state levels that could, among other things, significantly change payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been or will be enacted by the federal and state governments, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Medical Center. Additionally, certain payers' payment rates for various years have been appealed by the Medical Center. If the appeals are successful, additional income applicable to those years could be realized.

4. Benefit Plans

The Medical Center is a contributing employer to two union multiemployer pension plans. In addition, the Medical Center also maintains two tax deferred annuity plans under Section 403(b) of the Internal Revenue Code as well as two noncontributory defined benefit pension plans. The Medical Center also sponsors two unfunded defined benefit postretirement health and welfare plans that cover certain full-time and part-time employees and eligible dependents.

4. Benefit Plans (continued)

Contributions to union multiemployer pension plans are made in accordance with contractual agreements under which contributions are based on a percentage of salaries or a negotiated amount. Contributions to the non-contributory tax deferred annuity plan are based on percentages of salary. Contributions to the noncontributory defined benefit plans are based on actuarial valuations. Benefits under the noncontributory defined benefit plans are based on years of service and salary levels. The Medical Center's policy is to contribute amounts sufficient to meet funding requirements in accordance with the Employee Retirement Income Security Act of 1974 and the Pension Protection Act of 2006.

Total expense for the various pension plans aggregated approximately $132.8 million and $108.6 million for the nine months ended September 30, 2019 and 2018, respectively. Cash payments relative to the various pension plans aggregated approximately $127.3 million and $116.8 million for the nine months ended September 30, 2019 and 2018, respectively.

The following table provides the components of the net periodic benefit cost for the defined benefit pension plans and postretirement benefit plan for the nine months ended September 30, 2019 and 2018:

	Pension		Postretirement	
	2019	**2018**	**2019**	**2018**
	(In Thousands)			
Service cost	**$ 5,179**	$ 4,725	**$ 8,033**	$ 9,338
Interest cost	**1,131**	1,050	**6,193**	5,365
Expected return on plan assets	**(1,458)**	(1,427)	**–**	–
Amortization of prior service cost (benefit)	**34**	34	**(207)**	(1,334)
Amortization of net loss	**1,175**	1,354	**1,310**	2,659
Settlement cost	**7,578**	1,157	–	**–**
Net periodic benefit cost	**$ 13,639**	$ 6,893	**$ 15,329**	$ 16,028

5. Long-Term Debt

In June 2019, the Medical Center entered into a $200 million revolving credit agreement with a bank which expires in June 2021. At September 30, 2019, approximately $21.6 million was outstanding under this agreement. Interest is variable and is based on LIBOR plus 0.60% and was 2.65% at September 30, 2019. The revolving credit agreement is secured on parity with the 2018 Series Bonds with a general obligation of the Medical Center and a mortgage on certain real property.

6. Leases

The Medical Center determines if an arrangement is a lease at inception. The Medical Center utilizes operating and finance leases for the use of certain hospitals, medical and administrative offices, medical and office equipment and automobiles. For leases with terms greater than 12 months, the Medical Center records the related right-of-use assets and right-of-use obligations at the present value of lease payments over the term. Leases with an initial term of 12 months or less are not recorded in the consolidated statements of financial position. Lease expense for operating leases is recognized on a straight-line basis over the lease term and included in supplies and other expenses in the consolidated statements of operations while the expense for finance leases is recognized as depreciation and amortization expense and interest expense in the consolidated statements of operations.

The lease terms used to calculate the right-of-use asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Medical Center will exercise that option. The Medical Center does not separate lease and nonlease components of contracts.

The following table presents the Medical Center's lease-related assets and liabilities at September 30, 2019 (in thousands):

	Statement of Financial Position Classification	September 30, 2019
Assets:		
Operating leases	Right-of-use assets – operating leases	$ 522,087
Finance leases	Property, buildings and equipment, net	106,294
Total lease assets		$ 628,381
Liabilities:		
Current:		
Operating leases	Operating lease liabilities, current portion	$ 10,045
Finance leases	Long-term debt, current portion	7,009
Noncurrent:		
Operating leases	Operating lease liabilities, net of current portion	512,042
Finance leases	Long-term debt, net of current portion	99,285
Total lease liabilities		$ 628,381

6. Leases (continued)

The weighted-average lease terms and discount rates for operating and finance leases are presented in the following table:

Weighted-average remaining lease term (years)	September 30, 2019
Operating leases[(1)]	64.1
Finance leases	11.0
Weighted-average discount rate	
Operating leases	3.0%
Finance leases	3.0%

(1) Includes a lease agreement for the Weiler Hospital campus, which extends through 2114. Excluding this lease agreement, the weighted-average remaining lease term of all other leases is 12.2 years.

The following table presents certain information related to lease expense for finance and operating leases for the nine months ended September 30, 2019 (in thousands):

Finance lease expense:		
Amortization of right-of-use assets	$	7,099
Interest on finance lease liabilities		2,453
Operating lease cost		43,257
Variable and short-term lease expense		3,010
Total lease expense	$	55,819

The following table presents cash flow information for the nine months ended September 30, 2019 (in thousands):

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$	28,886
Operating cash flows for finance leases		2,453
Financing cash flows for finance leases		4,923

6. Leases (continued)

Future minimum lease payments under non-cancellable leases as of September 30, 2019 are as follows (in thousands):

	Operating Leases	Finance Leases
2019 (excluding the nine months ended September 30, 2019)	$ 10,343	$ 2,525
2020	44,097	10,169
2021	45,414	10,436
2022	41,358	10,703
2023	38,252	10,970
2024 and thereafter	1,020,979	81,002
Total lease payments	1,200,443	125,805
Less imputed interest	(678,356)	(19,511)
Present value of lease payments	$ 522,087	$ 106,294

7. Commitments and Contingencies

Litigation: Claims have been asserted against the Medical Center by various claimants arising out of the normal course of its operations. The claims are in various stages of processing and some may ultimately be brought to trial. Also, there are known incidents occurring through September 30, 2019 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. Medical Center management and counsel are unable to conclude about the ultimate outcome of the actions. However, it is the opinion of Medical Center management, based on prior experience that adequate insurance is maintained and adequate provisions for professional liabilities, where applicable, have been established to cover all significant losses and that the eventual liability, if any, will not have a material adverse effect on the Medical Center's consolidated financial position.

7. Commitments and Contingencies (continued)

Federation of Jewish Philanthropies (FOJP): The Medical Center participates in FOJP, which is a pooled insurance program for professional and general liabilities with other health care facilities. Participation in this occurrence basis insurance program is through captive and commercial insurance companies.

In November 2018, Mount Sinai Health System, Beth Israel Medical Center, Maimonides Medical Center and the Medical Center, collectively the owners of Hospitals Insurance Company (HIC) and FOJP, announced their agreement to sell HIC and FOJP to The Doctors Company for $650 million, subject to closing adjustments. The transaction closed on July 31, 2019 and the hospitals shared in the proceeds ratably according to their ownership. The Medical Center received approximately $171.2 million at closing and recorded a gain on the sale of approximately $32.7 million.

During the nine months ended September 30, 2019 and 2018, the Medical Center recorded approximately $31.1 million and $42.3 million, respectively, of malpractice insurance program adjustments. The malpractice program adjustments comprise retroactive premium adjustments of $31.1 million and $30.8 million for the nine months ended September 30, 2019 and 2018, respectively. Approximately $11.5 million of the 2018 malpractice insurance program adjustments related to investment gains at the captive insurance companies (none in 2019).

Effective January 1, 2018, the Montefiore Medicine Academic Health System Self Insurance Trust (MMAHS Trust) was established to provide coverage in excess of FOJP program limits. MMAHS is the sole member of the MMAHS Trust. Currently, only the Medical Center participates in the MMAHS Trust.

Albert Einstein College of Medicine, Inc.: In 2015, a controlled member of MMAHS, Albert Einstein College of Medicine, Inc. (Einstein), acquired substantially all of the assets and assumed substantially all of the liabilities of a medical school operating as a division of Yeshiva University (YU). In connection with this transaction, $175.0 million Build NYC Resource Corporation Revenue Bonds were issued. The Build NYC Resource Corporation Revenue Bonds carry a 5.5% coupon rate and mature on September 1, 2045. Interest is payable semiannually and principal is payable annually commencing on September 1, 2020.

In addition, in 2015, Einstein issued to YU a promissory note (the Note) under which it was obligated to pay to YU twenty annual payments of $12.5 million beginning September 2017, followed by a final, twenty-first payment of $20.0 million in September 2037. Pursuant to a guaranty agreement (Guaranty Agreement), the Medical Center guaranteed Einstein's obligation to make payments under the Note. If the Medical Center was required to make payments under the Guaranty Agreement, Einstein would have been obligated to repay the Medical Center, in full, over five years with interest. The Medical Center's right to repayment was subordinate in certain respects to Einstein's obligation to make payments on the Build NYC Resource Corporation Revenue Bonds.

7. Commitments and Contingencies (continued)

In April 2017, the Note was cancelled and exchanged with three Replacement Negotiable Promissory Notes (the Replacement Notes) in the total principal amount of $162.2 million. The Replacement Notes carry interest rates ranging from 4.52% to 5.74% effective March 17, 2017. The Guaranty Agreement was amended to cover payments made by Einstein under the Replacement Notes. On May 1, 2017, the aggregate amounts payable by Einstein under the Replacement Notes were amended to $3.8 million in 2017, with annual payments of $8.3 million from 2018 to 2020, $36.0 million in 2021, $12.5 million from 2022 to 2036, followed by a final payment of $20.0 million in 2037.

In March 2018, approximately $4.2 million was paid by the Medical Center on Einstein's behalf pursuant to the Guaranty Agreement, as amended. In December 2018, the Medical Center forgave the amounts owed from Einstein of approximately $5.5 million under this agreement.

The Medical Center has an agreement to provide operating subsidies to Einstein over a five-year period commencing September 2015 in an aggregate amount of up to $80.0 million. The Medical Center will provide this subsidy in varying amounts to be funded upon the receipt and approval of documentation of unreimbursed research expenses incurred. The subsidy will total an amount not to exceed $10.0 million per year in each of the first two years, and not to exceed $20.0 million per year in each of the third, fourth and fifth years. During the nine months ended September 30, 2019 and 2018, the Medical Center made capital contributions of approximately $15.0 million to Einstein in accordance with this agreement.

The Medical Center has also agreed to provide loans to Einstein in an aggregate amount of up to $75 million as necessary to allow it to meet its cash flow requirements. The first loan was funded in 2017 in the amount of $35.0 million. The loan was secured by a subordinate mortgage on certain of Einstein's real property. In December 2018, the Medical Center reserved the amounts owed from Einstein of approximately $36.8 million under this agreement.

In March 2018, the Medical Center entered into a commitment to provide financial support, including working capital and bridge financing, as necessary, to Einstein in order for Einstein to meet its operational needs. For the nine months ended September 30, 2019, the Medical Center provided approximately $20.0 million to Einstein recorded within transfers to members, net in the consolidated statements of operations. No amounts were provided for the nine months ended September 30, 2018.

Other: At September 30, 2019 and December 31, 2018, approximately 66% of the Medical Center's employees were covered by collective bargaining agreements. The collective bargaining agreement with NYSNA expires in December 2022 and the collective bargaining agreement with 1199SEIU expires in September 2021.

In connection with agreements entered into between MIPA and several health insurance companies, the Medical Center has agreed to guarantee the performance and payment of certain hospital, physician and administrative services.

7. Commitments and Contingencies (continued)

In December 2018, the Medical Center entered into a mortgage loan agreement with White Plains Hospital Center to make funds available up to $248.5 million for a certain construction project (the Loan Agreement). Interest on the Loan Agreement is based on a fixed rate of 4.50%. During the construction period, interest shall accrue on the amounts drawn and outstanding. During the nine months ended September 30, 2019, White Plains Hospital Center drew down approximately $21.4 million on the Loan Agreement. No amounts were outstanding as of December 31, 2018.

8. Fair Value Measurements

For assets and liabilities required to be measured at fair value, the Medical Center measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Medical Center's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

The Medical Center follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities

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

Level 3: Unobservable inputs are used when little or no market data is available.

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

8. Fair Value Measurements (continued)

Financial assets carried at fair value, including assets invested in the Medical Center's defined benefit plan, are classified in the table below in one of the three categories described above as of September 30, 2019:

	September 30, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Assets				
Cash and cash equivalents	**$ 151,445**	**$ –**	**$ –**	**$ 151,445**
Managed cash and cash equivalents held for investment	**117,773**	**–**	**–**	**117,773**
Marketable and other securities:				
U.S. non-equity mutual funds	**60,816**	**–**	**–**	**60,816**
U.S. equity mutual funds	**33,567**	**–**	**–**	**33,567**
U.S. Government agency mortgage-backed securities	**–**	**84,522**	**–**	**84,522**
U.S. Treasury securities	**296,895**	**–**	**–**	**296,895**
U.S. Government agency-backed securities	**–**	**1,054**	**–**	**1,054**
U.S. equity securities	**54,454**	**–**	**–**	**54,454**
Corporate debt	**–**	**833,901**	**–**	**833,901**
	714,950	**919,477**	**–**	**1,634,427**
Defined benefit plan assets				
Cash and cash equivalents	**1,365**	**–**	**–**	**1,365**
Equity mutual funds	**7,061**	**–**	**–**	**7,061**
Fixed income mutual funds	**8,477**	**–**	**–**	**8,477**
	16,903	**–**	**–**	**16,903**
	$ 731,853	**$ 919,477**	**$ –**	**$ 1,651,330**

8. Fair Value Measurements (continued)

Financial assets carried at fair value, including assets invested in the Medical Center's defined benefit plan, are classified in the table below in one of the three categories described above as of December 31, 2018:

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Assets				
Cash and cash equivalents	$ 184,019	$ –	$ –	$ 184,019
Managed cash and cash equivalents held for investment	364,640	–	–	364,640
Marketable and other securities:				
U.S. non-equity mutual funds	49,099	–	–	49,099
U.S. equity mutual funds	17,782	–	–	17,782
U.S. Government agency mortgage-backed securities	–	39,513	–	39,513
U.S. Treasury securities	44,512	–	–	44,512
U.S. Government agency-backed securities	–	35,330	–	35,330
U.S. equity securities	55,564	–	–	55,564
Corporate debt	–	792,556	–	792,556
Interest and other receivables	2,499	–	–	2,499
	718,115	867,399	–	1,585,514
Defined benefit plan assets				
Cash and cash equivalents	1,313	–	–	1,313
Equity mutual funds	9,386	–	–	9,386
Fixed income mutual funds	3,153	–	–	3,153
	13,852	–	–	13,852
	$ 731,967	$ 867,399	$ –	$ 1,599,366
Investments measured at net asset value (defined benefit pension plan assets)				12,806
				$ 1,612,172

At September 30, 2019 and December 31, 2018, the Medical Center's alternative investments and collective trust funds, excluding those within the defined benefit plan, are reported using the equity method of accounting in the amount of approximately $175.2 million and $118.9 million, respectively, and, therefore, are not included in the tables above.

8. Fair Value Measurements (continued)

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

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APPENDIX B-3

MONTEFIORE HEALTH SYSTEM, INC. AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017, WITH REPORT OF INDEPENDENT AUDITORS

Montefiore Health System, Inc. ("MHS") is not a Member of the Obligated Group. Neither MHS nor any of its consolidated subsidiaries other than Montefiore Medical Center has any financial or operating obligation under the Loan Agreement or the Master Trust Indenture or with respect to the payment of the Series 2020A Bonds or Obligation No. 5.

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Consolidated Financial Statements and Supplementary Information

Montefiore Health System, Inc.
Years Ended December 31, 2018 and 2017
With Report of Independent Auditors

Ernst & Young LLP

Montefiore Health System, Inc.

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2018 and 2017

Contents

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

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

Building a better working world

Report of Independent Auditors

The Board of Trustees
Montefiore Health System, Inc.

We have audited the accompanying consolidated financial statements of Montefiore Health System, Inc. and its controlled organizations, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Montefiore Health System, Inc. and its controlled organizations at December 31, 2018 and 2017, and the consolidated results of their operations, changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2014-09, *Revenue from Contracts with Customers* and ASU No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*

As discussed in Note 1 to the consolidated financial statements, Montefiore Health System, Inc. changed its method of revenue recognition as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, effective January 1, 2018 and adopted the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, effective December 31, 2018. Our opinion is not modified with respect to these matters.

Ernst & Young LLP

April 12, 2019

Montefiore Health System, Inc.

Consolidated Statements of Financial Position

	December 31	
	2018	**2017**
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 392,270**	$ 398,237
Marketable and other securities	**1,460,882**	754,309
Assets limited as to use, current portion	**52,774**	59,407
Receivables for patient care, net	**412,242**	414,259
Other receivables	**83,741**	77,403
Estimated insurance claims receivable, current portion	**109,038**	95,542
Other current assets	**105,074**	86,140
Total current assets	**2,616,021**	1,885,297
Assets limited as to use, net of current portion	**229,632**	291,677
Property, buildings and equipment, net	**1,685,630**	1,677,765
Estimated insurance claims receivable, net of current portion	**470,203**	538,838
Other noncurrent assets	**393,220**	295,522
Due from members	**100**	36,163
Total assets	**$ 5,394,806**	$ 4,725,262
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 596,558**	$ 521,197
Accrued salaries, wages and related items	**398,050**	411,966
Professional and other insured liabilities, current portion	**67,637**	57,547
Estimated insurance claims liabilities, current portion	**104,008**	94,942
Estimated third-party payer liabilities, current portion	**87,542**	86,216
Long-term debt, current portion	**52,296**	104,885
Due to members	**18,665**	4,697
Total current liabilities	**1,324,756**	1,281,450
Long-term debt, net of current portion	**1,454,400**	816,493
Noncurrent defined benefit pension and other postretirement health plan liabilities	**295,389**	296,378
Professional and other insured liabilities, net of current portion	**130,700**	166,970
Employee deferred compensation	**53,869**	52,108
Estimated insurance claims liabilities, net of current portion	**488,950**	539,438
Estimated third-party payer liabilities, net of current portion	**225,004**	224,855
Other noncurrent liabilities	**137,538**	92,899
Total liabilities	**4,110,606**	3,470,591
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions:		
Montefiore Health System, Inc.	**1,126,885**	1,096,293
Noncontrolling interest	**2,986**	–
Total net assets without donor restrictions	**1,129,871**	1,096,293
Net assets with donor restrictions	**154,329**	158,378
Total net assets	**1,284,200**	1,254,671
Total liabilities and net assets	**$ 5,394,806**	$ 4,725,262

See accompanying notes.

Montefiore Health System, Inc.

Consolidated Statements of Operations

	Year Ended December 31	
	2018	**2017**
	(In Thousands)	
Operating revenue		
Net patient service revenue before bad debt expense		$ 5,208,565
Bad debt expense		(74,962)
Net patient service revenue	**$ 5,458,452**	5,133,603
Grants and contracts	**112,922**	100,108
Contributions	**14,554**	11,215
Other revenue	**318,907**	258,692
Total operating revenue	**5,904,835**	5,503,618
Operating expenses		
Salaries and wages	**2,692,460**	2,548,428
Employee benefits	**758,874**	717,429
Supplies and other expenses	**2,207,820**	2,006,601
Depreciation and amortization	**210,957**	206,209
Interest	**55,422**	38,067
Total operating expenses	**5,925,533**	5,516,734
Deficiency of operating revenue over operating expenses before Value Based Payment and Vital Access Provider Programs	**(20,698)**	(13,116)
Value Based Payment and Vital Access Provider Programs	**74,186**	68,384
Excess of operating revenue over operating expenses before other items	**53,488**	55,268
Net realized and changes in net unrealized gains and losses on marketable and other securities	**(22,569)**	44,835
Net periodic pension and other postretirement benefit costs (non-service related)	**(8,240)**	(7,531)
Malpractice insurance program adjustments	**49,354**	1,209
Grants for the purchase of property, buildings and equipment	**16,534**	1,575
Distribution from demutualization	**28,944**	–
Other nonoperating gains and losses, net	**6,672**	171
Excess of revenues over expenses before noncontrolling interest of joint venture	**124,183**	95,527
Income attributable to noncontrolling interest of joint venture	**(2,986)**	–
Excess of revenues over expenses	**121,197**	95,527
Change in defined benefit pension and other postretirement health plan liabilities to be recognized in future periods	**(1,006)**	(15,768)
Net assets released from restrictions used for purchases of property, buildings and equipment	**7,312**	6,171
Transfers to members, net	**(96,911)**	(19,093)
Increase in net assets without donor restrictions	**$ 30,592**	$ 66,837

See accompanying notes.

Montefiore Health System, Inc.

Consolidated Statements of Changes in Net Assets

	Without Donor Restrictions				
	Montefiore Health System, Inc.	**Non-Controlling Interest**	**Total**	**With Donor Restrictions**	**Total Net Assets**
			(In Thousands)		
Net assets at January 1, 2017	$ 1,029,456	$ –	$ 1,029,456	$ 158,682	$ 1,188,138
Increase in net assets without donor restrictions	66,837	–	66,837	–	66,837
Restricted gifts, bequests, and similar items	–	–	–	10,294	10,294
Restricted investment income	–	–	–	999	999
Net assets released from restrictions	–	–	–	(11,597)	(11,597)
Total changes in net assets	66,837	–	66,837	(304)	66,533
Net assets at December 31, 2017	1,096,293	–	1,096,293	158,378	1,254,671
Increase in net assets without donor restrictions	**30,592**	**2,986**	**33,578**	–	**33,578**
Restricted gifts, bequests, and similar items	–	–	–	**11,499**	**11,499**
Restricted investment income	–	–	–	**(605)**	**(605)**
Net assets released from restrictions	–	–	–	**(14,943)**	**(14,943)**
Total changes in net assets	**30,592**	**2,986**	**33,578**	**(4,049)**	**29,529**
Net assets at December 31, 2018	**$ 1,126,885**	**$ 2,986**	**$ 1,129,871**	**$ 154,329**	**$ 1,284,200**

See accompanying notes.

Montefiore Health System, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31 2018	2017
	(In Thousands)	
Operating activities		
Increase in net assets	**$ 29,529**	$ 66,533
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**210,957**	206,209
Bad debt expense	**–**	74,962
Change in defined benefit pension and other postretirement health plan liabilities to be recognized in future periods	**1,006**	15,768
Transfers to members, net	**96,911**	19,093
Net realized gains and losses on marketable and other securities	**(15,473)**	(23,165)
Change in net unrealized gains and losses on marketable and other securities	**38,042**	(21,670)
Change in fair value of derivative instrument	**(628)**	(688)
Equity earnings from investments	**(45,993)**	(34,197)
Write-off of long-term mortgage premium and deferred financing costs as a result of debt refinancing	**4,005**	–
Amortization of long-term mortgage premium	**(1,051)**	(310)
Amortization of deferred financing costs	**1,142**	945
Changes in operating assets and liabilities:		
Receivables for patient care	**2,017**	(46,684)
Other current assets	**(18,934)**	(10,368)
Accounts payable and accrued expenses	**55,861**	67,732
Accrued salaries, wages and related items	**(13,916)**	21,848
Non-current defined benefit and postretirement health plan liabilities	**(1,995)**	1,690
Other noncurrent liabilities	**(361)**	(24,177)
Net change in all other operating assets and liabilities	**29,478**	57,556
Net cash provided by operating activities	**370,597**	371,077
Investing activities		
Acquisition of property, buildings, and equipment, net	**(215,822)**	(166,983)
Increase in marketable and other securities, net	**(729,142)**	(54,226)
Decrease (increase) in assets limited to use, net	**68,678**	(25,670)
Payments for investment in joint venture	**(25,500)**	–
Net cash used in investing activities	**(901,786)**	(246,879)
Financing activities		
Payments of long-term debt	**(74,107)**	(82,347)
Extinguishment of long-term debt	**(575,639)**	–
Proceeds from long-term debt	**1,252,450**	78,716
Payments to members, net	**(53,000)**	(14,374)
Payments of deferred financing costs	**(24,482)**	(208)
Net cash provided by (used in) financing activities	**525,222**	(18,213)
Net (decrease) increase in cash and cash equivalents	**(5,967)**	105,985
Cash and cash equivalents at beginning of year	**398,237**	292,252
Cash and cash equivalents at end of year	**$ 392,270**	$ 398,237
Supplemental cash flow and non-cash information		
Deferred payments for acquisition of investment in joint venture	**$ 64,500**	$ –
Assets acquired under equipment loans	**$ 3,000**	$ 706

See accompanying notes.

Montefiore Health System, Inc.

Notes to Consolidated Financial Statements

December 31, 2018

1. Organization and Summary of Significant Accounting Policies

Montefiore Health System, Inc. and its controlled organizations (collectively, the Health System) comprise an integrated health care delivery system. The facilities are located in the Bronx, Westchester, Rockland and Orange Counties in New York. The Health System is incorporated under New York State Not-for-Profit Corporation law and provides health care and related services. Various entities within the Health System are exempt from Federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code (the Code) as organizations described in Section 501(c)(3), while other entities are not exempt from such income taxes (the entities are collectively referred to herein as the members). The exempt organizations also are exempt from New York State and local income taxes. Montefiore Medicine Academic Health System, Inc. (MMAHS) is the sole member of the Health System.

The Health System, together with the members, provides patient care, teaching, research, community services and care management. The Health System operates many community benefit programs, including wellness programs, community education programs and health screenings, as well as a variety of community support services, health professionals' education, school health programs and subsidized health services.

The accompanying consolidated financial statements include the accounts of the following tax exempt and taxable organizations. All intercompany accounts and activities have been eliminated in consolidation.

- Montefiore Health System, Inc. (MHS)
- Montefiore New Rochelle Hospital (MNR)
- Montefiore Mount Vernon Hospital (MMV)
- Schaffer Extended Care Center (SECC)
- Montefiore SS Holdings, LLC (SS Holdings)
- Montefiore MV Holdings, LLC (MV Holdings)
- Montefiore HA Holdings, LLC (HA Holdings)
- Montefiore North Ambulatory Care Center, Inc. (NAMB)
- Montefiore HMO, LLC (MHMO)
- Montefiore Information Technology, LLC (MIT)
- Montefiore Nyack Hospital (Nyack) and its controlled organizations:
  - Nyack Hospital Foundation, Inc. (Nyack Foundation)
  - Highland Medical P.C. (Highland Medical)
- White Plains Hospital Center (White Plains) and its controlled organizations:
  - White Plains Hospital Center Foundation, Inc. (White Plains Foundation)
  - Davis Avenue Corporation (d/b/a Westchester Caring Services)
  - 8 Longview Development Corporation (Longview)
  - 11 East Post Road, LLC
  - White Plains Management Company
  - White Plains Building Corp, LLC
  - White Plains Medical Diagnostic Services P.C. (Medical Diagnostic Services)
  - Cancer and Blood Medical Services of New York, P.C. (Cancer and Blood)
  - WPH Holdings, Inc.
  - White Plains Medical Services P.C.
  - New York Endoscopy Center, LLC
- The Winifred Masterson Burke Rehabilitation Hospital (Burke)

1. Organization and Summary of Significant Accounting Policies (continued)

- St. Luke's Cornwall Hospital (St. Luke's) and its controlled organizations:
  - Hudson Vista Corporation
  - St. Luke's Cornwall Health System, Inc.
  - St. Luke's Cornwall Health System Foundation, Inc. (St. Luke's Foundation)
  - SLCH Insurance Co., Ltd.
  - Amos and Sarah Holden Home
  - Hudson Vista Physician Services, P.C.
  - Hudson Vista Medical, P.C.
  - Goldsmith & Mary B. Johnes Home for Aged Couples
  - St. Luke's Cornwall JV, LLC
- Montefiore Consolidated Ventures, Inc. (MCV)
  - Hudson Valley IPA, Inc. (HIPA)
  - The Montefiore IPA, Inc. (MIPA)
  - Bronx Accountable Healthcare Network IPA, Inc. (ACO-IPA)
  - University Behavioral Associates, Inc. (UBA)
  - Montefiore Behavioral Care IPA No. 1, Inc. (MBCIPA)
  - MMC GI Holdings East, Inc. (GI East)
  - MMC GI Holdings West, Inc. (GI West)
  - CRHT Acquisition, Inc. (CRHT)
- Montefiore Medical Center and its controlled organizations (collectively, the Medical Center):
  - Montefiore Medical Center
  - MMC Corporation (MCORP)
  - CMO The Care Management Company, LLC (CMO)
  - Gunhill MRI P.C. (Gunhill)
  - MMC Residential Corp. I, Inc. (Housing I)
  - Montefiore Hospital Housing Section II, Inc. (Housing II)
  - Mosholu Preservation Corporation (MPC)
  - Montefiore Proton Acquisition, LLC (MPRO)
  - Montefiore Hudson Valley Collaborative LLC (MHVC)
  - Montefiore CERC Operations, Inc. (CERC)

Effective January 1, 2018, the Health System acquired an equity interest in a joint venture with Crystal Run Healthcare, LLP for a purchase price of $90.0 million, of which $25.5 million was due at closing and $20.0 million, $25.0 million and $19.5 million is due on the first, second and third anniversaries of the closing date, respectively (deferred payments). In accordance with the purchase agreement, the Medical Center agreed to guarantee payments made by the Health System, and entered into a security agreement by which the Medical Center deposited $30.0 million in escrow as security for the deferred payments.

On October 1, 2018, WPH Holdings, Inc. entered into a Membership Interest Purchase Agreement with New York Endoscopy Center, LLC (the Center) to acquire a 51% controlling interest in the Center for a purchase price of $3.0 million. As a result of the transaction, goodwill in the amount of approximately $5.9 million was recognized by White Plains, which approximates the fair value of the Center as of that date. The difference between the fair value of the Center and the purchase price (approximately $2.9 million) was recognized as an inherent contribution and is included in other nonoperating gains and losses, net in the accompanying consolidated statement of operations. The noncontrolling interest of the Center represents the portion of the Center not controlled by White Plains, but is required to be presented in the Health System's consolidated financial statements in accordance with U.S. generally accepted accounting principles.

1. Organization and Summary of Significant Accounting Policies (continued)

Captive insurance companies in which the Health System has an equity interest of more than 20%, but less than 50%, are accounted for under the equity method of accounting. In addition, investments in limited liability companies not wholly owned are recorded under the equity method.

Tax Status: The Health System, a section 501(c)(3) organization, is exempt from Federal, New York State and local income taxes under Section 501(a) of the Internal Revenue Code, as are all of the organizations consolidated in these financial statements, except for MCV and its subsidiaries, Highland Medical, Westchester Caring Services, Longview, 11 East Post Road, LLC, White Plains Management Company, White Plains Building Corp, LLC, Medical Diagnostic Services, Cancer and Blood, WPH Holdings, Inc., White Plains Medical Services P.C., and the Center, which are taxable entities. CMO, MIT, MPRO, MHVC, SS Holdings, MV Holdings, HA Holdings, MHMO and St. Luke's Cornwall JV, LLC are disregarded entities for tax purposes. Disregarded entity status provides that the Health System is subject to unrelated business income taxation on those entities' income derived from activities not specific to the Health System.

The Tax Cuts and Jobs Act (TCJA) was enacted on December 22, 2017. For tax-exempt entities, TCJA requires organizations to categorize certain fringe benefit expenses as a source of unrelated business income subject to tax, pay an excise tax on compensation above certain thresholds, and record income or losses for tax determination purposes from unrelated business activities on an activity-by-activity basis, among other provisions. Regulations necessary to implement certain aspects of the TCJA are expected to be promulgated by the Internal Revenue Service (IRS) in 2019. The effects of income taxes are not material to the consolidated financial statements.

Net Assets without Donor Restrictions: Net assets without donor restrictions are those that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Health System. These net assets may be used at the discretion of the Health System's management and board of trustees.

Net Assets with Donor Restrictions: Net assets with donor restrictions are those whose use has been limited by donors to a specific time frame or purpose or have been restricted by the donors to be maintained by the Health System in perpetuity. The Health System records donor restricted contributions if they are received with donor stipulations that limit their use either through purpose or time restrictions.

1. Organization and Summary of Significant Accounting Policies (continued)

When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, donor restricted net assets are reclassified as net assets without donor restrictions and reported as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are classified as contributions without donor restrictions. Other revenue for the years ended December 31, 2018 and 2017 includes approximately $7.6 million and $5.4 million, respectively, of net assets released from restrictions used for operations.

Cash and Cash Equivalents: Cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less at the time of purchase which are not deemed to be assets limited as to use or part of the marketable securities portfolio. The Health System maintains cash on deposit with major banks and invests in highly rated commercial paper on an overnight basis or securities issued by either the United States Government or its agencies with a maturity of three months or less at the time of purchase. The Health System does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents. Book overdrafts of approximately $65.6 million and $35.2 million as of December 31, 2018 and 2017, respectively, are included within accounts payable and accrued expenses in the consolidated statements of financial position.

At December 31, 2018 and 2017, the Health System invested excess cash in deposits with major banks and in money market funds with high credit quality financial institutions.

Inventories: Inventories, included in other current assets, consist primarily of drugs and supplies, and are valued at the lower of cost and net realizable value.

Marketable and Other Securities: All marketable and other securities are classified as trading securities. Marketable securities are carried at fair value and generally consist of fixed income securities issued or guaranteed by government entities, money market funds, mutual funds, fixed income securities issued by corporations, collective trust funds and equity securities. Marketable securities received as a gift are initially recorded at fair value at the date of the gift. The carrying amount of alternative investments (nontraditional, not readily marketable asset classes), some of which are structured such that the Health System holds limited partnership interests, are determined by the Health System's management for each investment, based upon net asset values derived from the application of the equity method of accounting.

1. Organization and Summary of Significant Accounting Policies (continued)

Individual investment holdings within the alternative investments include both non-marketable and market-traded securities. Valuations of the non-marketable securities are determined by the investment manager or general partner. These values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, the carrying amount reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The investments may indirectly expose the Health System to securities lending, short sales of securities, and trading in futures and forwards contracts, options, and other derivative products. The Health System's risk is limited to its carrying value, in addition to any unfunded commitments. At December 31, 2018 and 2017, the Health System had approximately $25.9 million and $9.8 million, respectively, of future commitments to invest in alternative investments. Certain investments are subject to notification periods or restrictions in order to divest. The redemption notice period for this asset class ranges from 30 days to 90 days. Funds are generally available within 30 days after the redemption date. At December 31, 2018 and 2017, approximately 35% and 22%, respectively, of alternative investments are held in illiquid private equity funds and distributions are based on the investment managers' discretion. The financial statements of the investees are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the Health System's annual consolidated financial statement reporting.

There is uncertainty in the accounting for alternative investments arising from factors such as lack of active markets (primary or secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term.

Investment Gains, Losses and Income: Net realized and unrealized gains and losses on marketable and other securities, including equity in earnings or losses of alternative investments, are recorded in the excess of revenues over expenses unless their use is restricted by explicit donor stipulations or by law. Investment income limited by donor-imposed restrictions is recorded as an increase in net assets with donor restrictions. Realized gains and losses on sales of marketable and other securities are based on the average cost method.

Assets Limited as to Use: Assets so classified represent assets whose use is restricted for specific purposes under terms of agreements (such as escrow agreements relating to the payment of claims and other health care service expenses upon occurrence or continuance of certain specific events as designated by the contracts), donor restrictions or employee deferred compensation plans.

1. Organization and Summary of Significant Accounting Policies (continued)

Property, Buildings and Equipment: Property, buildings and equipment purchased are carried at cost and those acquired by gifts and bequests are carried at fair value established at the date received. Property, buildings and equipment of acquired entities are recorded at fair value at the acquisition date based upon an independent valuation. Annual provisions for depreciation are made based upon the straight-line method over the estimated useful lives of the assets. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations in the year of disposal.

Intangible Assets: Intangible assets include a favorable leasehold interest at Burke of approximately $20.8 million. In addition, White Plains carries goodwill in the amount of approximately $33.9 million and $28.1 million as of December 31, 2018 and 2017, respectively, related to the acquisition of certain health care organizations that occurred from 2015 through 2018. Intangible assets have indefinite lives and are subject to impairment testing on an annual basis. For the years ended December 31, 2018 and 2017, there were no intangible asset impairment charges.

Intangible assets at December 31, 2018 and 2017, of approximately $68.8 million and $63.2 million, respectively, are included within other noncurrent assets in the accompanying consolidated statements of financial position.

Deferred Financing Costs: Deferred financing costs represent costs incurred to obtain financing for various construction and renovation projects. Amortization of these costs is determined by the effective interest method extending over the terms of the related indebtedness. Deferred financing costs are included as a reduction to long-term debt in the accompanying consolidated statements of financial position.

Employee Deferred Compensation Plan: Pursuant to various deferred compensation plans in which certain Health System employees or former employees participate, the Health System deposited employee contributions with trustees on behalf of the participating employees. The Health System is not responsible for investment gains or losses incurred. The assets, which are carried at fair value with a corresponding liability, are restricted for payments under the plans and may only revert to the Health System under certain specified circumstances. The assets are included in assets limited as to use in the accompanying consolidated statements of financial position.

1. Organization and Summary of Significant Accounting Policies (continued)

Premium Revenue and Health Care Service Cost Recognition: Under certain managed care contracts, the Health System receives from the insurer a monthly premium per enrollee during the term of enrollment. The premium revenue, which is based on individual contracts, is recognized in the period earned. Under such arrangements, the Health System manages and, directly and through arrangements with other health care providers, delivers health care services to enrollees in accordance with the terms of the subscriber agreements. The Health System reimburses these providers on either a capitated or negotiated fee-for-service basis. The cost of health care services is accrued based on processed and unprocessed claims and estimates for medical services, which have been incurred but not reported. Although it is not possible to measure with certainty the degree of variability inherent in such an estimate, such estimates are continually monitored and reviewed by management and independent actuaries, and any adjustments deemed necessary are reflected in current operations. Health care service costs included in supplies and other expenses were increased (decreased) by approximately $106,000 and ($1.7 million) for the years ended December 31, 2018 and December 31, 2017, respectively, reflecting the difference between claims paid and the liability originally estimated. Premium revenue included within the caption net patient service revenue in the accompanying consolidated statements of operations aggregated approximately $739.1 million and $641.1 million for the years ended December 31, 2018 and 2017, respectively.

Distribution from Demutualization: In October 2018, Nyack and White Plains received distributions totaling approximately $28.9 million from MLMIC Insurance Company (formerly known as Medical Liability Mutual Insurance Company) (MLMIC). In the last quarter of 2018, MLMIC was acquired by National Indemnity Company, a subsidiary of Berkshire Hathaway Inc. As a result of the acquisition, MLMIC went through a demutualization whereby its legal structure converted from a customer-owned mutual organization to a joint-stock company. The cash consideration resulting from the conversion was paid out to eligible policyholders (policyholders with policies in effect from July 15, 2013 through July 14, 2016 (or their designees)) and is included in the excess of revenues over expenses in the accompanying consolidated statement of operations for the year ended December 31, 2018.

Performance Indicator: The consolidated statements of operations include excess of revenues over expenses as the performance indicator. Items excluded from excess of revenues over expenses are change in defined benefit pension and other postretirement health plan liabilities to be recognized in future periods; net assets released from restrictions used for purchases of property, buildings and equipment; and transfers to members, net.

1. Organization and Summary of Significant Accounting Policies (continued)

Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and operating expenses and are included in excess of operating revenues over operating expenses before certain items. Peripheral transactions or transactions of an infrequent nature are excluded from excess of operating revenues over operating expenses before other items.

Charity Care and Other Community Benefit Programs: The Health System is guided by its mission and charitable purpose to provide charity care and other community benefit programs. These activities include access to medically necessary treatment for individuals unable to pay for services, care provided under means-tested government insurance programs that reimburse the Health System at less than the cost of the services provided, education for future health providers, research to advance knowledge and other programs designed to meet local community needs.

The Health System is committed to serving all patients in need of health care services. Consistent with its mission and values, and taking into account an individual's ability to pay for medically necessary health care services, the Health System provides charity care, including free or discounted care, to all patients not covered by insurance. A key aspect of the policy includes assisting patients in obtaining insurance they are eligible to receive. Care provided under the charity care policy is not reported as net patient service revenue in the accompanying consolidated statements of operations. The cost of charity care is estimated based on charges associated with the care provided, applied to the ratio of total patient care expenses to total charges for all services rendered.

Medicaid and other means-tested programs comprise approximately one-third of the Health System's patient service revenue. The costs are estimated based on charges for services provided under the means-tested programs, applied to the ratio of total patient care expenses to total charges for all services rendered. The unpaid cost presented in the table below is based on estimated total costs, less reimbursement received for the services provided.

The Health System operates one of the largest medical residency and health professions training programs in the United States. The costs of the training programs are included in operating expenses in the accompanying consolidated statements of operations. The costs presented below are net of graduate medical education funding from the Medicare and Medicaid programs.

1. Organization and Summary of Significant Accounting Policies (continued)

Research and other community benefit program costs include expenses incurred to advance medical care and clinical knowledge. In addition, the Health System fosters community participation through advisory boards and linkages with community-based groups. It responds to identified community health related needs by offering specific services including, among others, wellness programs, community education programs, health screenings, community support services and subsidized health services. The research and other community benefit program costs presented below are included in operating expenses in the accompanying consolidated statements of operations.

A summary of the costs associated with the provision of charity care and other community benefit programs is as follows:

	Year Ended December 31	
	2018	**2017**
	(In Thousands)	
Charity care, at cost and net of subsidies	**$ 83,337**	$ 69,984
Unpaid cost of means-tested government-sponsored insurance programs	**386,742**	383,860
Health professions training, at cost	**61,343**	52,027
Community benefit programs	**100,082**	95,862
Research	**19,077**	18,888
	$ 650,581	$ 620,621

The New York State Department of Health (NYSDOH) Hospital Indigent Care Pool (the Pool) was established to provide funds to hospitals for the provision of uncompensated care and is funded, in part by a 1% assessment on hospital net inpatient service revenue. For the years ended December 31, 2018 and 2017, the Health System received approximately $30.0 million and $31.9 million, respectively, in Pool distributions related to charity care. The Health System made payments into the Pool of approximately $28.5 million and $28.7 million for the years ended December 31, 2018 and 2017, respectively, for the 1% assessment.

1. Organization and Summary of Significant Accounting Policies (continued)

Program Services: The Health System provides health care and related services primarily within its geographic area. Expenses related to providing these services for the year ended December 31, 2018, are as follows:

	Health Care and Related Services	**Research**	**Fundraising**	**Program Support and General Services**	**Total**
			(In Thousands)		
Salaries and wages	**$ 2,349,540**	**$ 1,930**	**$ 1,566**	**$ 339,424**	**$ 2,692,460**
Employee benefits	**660,246**	**622**	**352**	**97,654**	**758,874**
Supplies and other expenses	**2,146,671**	**2,232**	**2,492**	**56,425**	**2,207,820**
Depreciation and amortization	**147,183**	**–**	**170**	**63,604**	**210,957**
Interest	**50,618**	**–**	**4**	**4,800**	**55,422**
	$ 5,354,258	**$ 4,784**	**$ 4,584**	**$ 561,907**	**$ 5,925,533**

Expenses related to providing these services for the year ended December 31, 2017, are as follows:

	Health Care and Related Services	**Research**	**Fundraising**	**Program Support and General Services**	**Total**
			(In Thousands)		
Salaries and wages	$ 2,305,969	$ 2,108	$ 1,476	$ 238,875	$ 2,548,428
Employee benefits	649,624	649	315	66,841	717,429
Supplies and other expenses	1,895,484	1,753	1,983	107,381	2,006,601
Depreciation and amortization	147,739	–	153	58,317	206,209
Interest	33,733	–	7	4,327	38,067
	$ 5,032,549	$ 4,510	$ 3,934	$ 475,741	$ 5,516,734

1. Organization and Summary of Significant Accounting Policies (continued)

The financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, interest, and other occupancy costs, are allocated to a function based on a square footage or units of service basis.

Use of Estimates: The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, such as the valuation of accounts receivable for services to patients and estimated insurance recoveries receivable, and liabilities, such as estimated third-party payer liabilities, estimated insurance claims liabilities and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. Actual results could differ from those estimates. During 2018 and 2017, the Health System recorded net changes in estimates that increased the excess of revenues over expenses by approximately $14.0 million and $22.4 million, respectively, which primarily relate to changes in previously estimated third-party payer settlements and changes to estimated liabilities.

Recently Adopted Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (*ASU 2014-09). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's current revenue recognition requirements and most industry-specific guidance. The FASB subsequently issued ASU 2015-14, *Revenue from Contracts with Customers*, which deferred the effective dates of ASU 2014-09. Based on ASU 2015-14, the provisions of ASU 2014-09 became effective for the Health System for annual reporting periods beginning after December 15, 2017. The Health System adopted ASU 2014-09 effective January 1, 2018. The Health System adopted ASU 2014-09 following the modified retrospective method of application, and as such the prior period financial statements have not been adjusted for the adoption of ASU 2014-09. As a result of implementing ASU 2014-09, certain patient activity where collection is uncertain previously reported as net patient service revenue and bad debt expense in the Health System's consolidated statements of operations no longer meets the criteria for revenue recognition and, accordingly, bad debt expense after the adoption date is significantly reduced with

1. Organization and Summary of Significant Accounting Policies (continued)

a corresponding reduction to net patient service revenue. For the year ended December 31, 2018, the Health System recorded approximately $68.7 million of implicit price concessions as a direct reduction to net patient service revenue that would have been recorded as bad debt expense prior to the adoption of ASU 2014-09. Additionally, bad debt expense for the year ended December 31, 2018 is now presented as an expense item (included as a component of supplies and other expenses) rather than a reduction to net patient service revenue. Other aspects of the Health System's implementation of ASU 2014-09 impacting net patient service revenue, which include judgments regarding collection analyses and estimates of variable consideration and the addition of certain qualitative and quantitative disclosures, are reflected below within Note 2. The adoption of ASU 2014-09 did not have a material impact in relation to other applicable revenue activity.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Financial Statement Presentation* (ASU 2016-14), which changes the presentation and disclosure requirements of not-for-profit entities (NFPs). The standard changes the requirement for NFPs to classify net assets as unrestricted, temporarily restricted and permanently restricted. Instead, NFPs are required to classify net assets as net assets with donor restrictions or without donor restrictions. The guidance also modifies required disclosures and reporting related to net assets, investment expenses and qualitative information regarding liquidity. NFPs are also required to report all expenses by both functional and natural classification in one location. The Health System adopted ASU 2016-14 on December 31, 2018, retrospectively for certain provisions as permitted. With the exception of certain presentation items, the adoption of ASU 2016-14 did not have a significant impact on the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted:

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02), which will require lessees to report most leases on their balance sheet, but recognize expenses on their income statement in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The provisions of ASU 2016-02 are effective for the Health System beginning January 1, 2019 and will be applied using a modified retrospective approach. The primary effect of the new standard will be to record right-of-use assets and obligations for current operating leases which will have a material impact on the consolidated statement of financial position and significant incremental disclosures in the consolidated financial statement footnotes. The transition adjustment is not expected to have a material impact on the consolidated statement of operations.

1. Organization and Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15), which addresses the following eight specific cash flow issues in order to limit diversity in practice: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The provisions of ASU 2016-15 are effective for the Health System for annual periods beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted. The Health System is in the process of evaluating the impact of ASU 2016-15 on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash* (ASU 2016-18), which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of ASU 2016-18 are effective for the Health System for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. The Health System is in the process of evaluating the impact of ASU 2016-18 on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities, and requires entities to evaluate whether the resource provider receives commensurate value. In addition, the standard clarifies the guidance on how entities determine when a contribution is conditional, including whether the agreement includes a barrier (or barriers) that must be overcome for the recipient to be entitled to the transferred assets and a right of return of the transferred assets (or a right of release of the promisor's obligation to transfer the assets). The standard should be applied on a modified prospective basis to agreements that are not completed as of the effective date and to agreements entered into after the effective date. Retrospective application is permitted. ASU 2018-08 applies to all entities that make or receive contributions and is effective for

1. Organization and Summary of Significant Accounting Policies (continued)

the Health System for fiscal years beginning after June 15, 2018, including interim periods within those years. Early adoption is permitted. The Health System is in the process of evaluating the impact of ASU 2018-08 on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* (ASU 2018-15). The standard aligns the requirement for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this standard. The standard requires the customer in a hosting arrangement that is a service contract to follow the guidance in ASC Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense by determining which project stage an implementation activity relates to and the nature of the costs. The standard also requires the customer to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. ASU 2018-15 is effective for the Health System for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted, including adoption in any interim period. Either retrospective or prospective adoption is permitted. The Health System is in the process of evaluating the impact of ASU 2018-15 on its consolidated financial statements.

Reclassifications: For purposes of comparison, certain reclassifications have been made to the accompanying 2017 consolidated financial statements to conform to the 2018 presentation. These reclassifications have no effect on the excess of revenues over expenses or net assets for the year ended December 31, 2017.

2. Net Patient Service Revenue

Effective January 1, 2018, upon the adoption of ASU 2014-09, net patient service revenue is reported at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care.

The Health System uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payer classes for inpatient revenue and major payer classes and types of services

2. Net Patient Service Revenue (continued)

provided for outpatient revenue. Based on historical collection trends and other analyses, the Health System believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Health System's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Health System's standard charges. The Health System determines the transaction price associated with services provided to patients who have third-party payer coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payer payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, the Health System's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Health System determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Health System's historical collection experience for applicable patient portfolios. Under the Health System's charity care policy, a patient who has no insurance or is under-insured and is ineligible for any government assistance program has his or her bill reduced to (1) the lesser of charges or the Medicaid diagnostic-related group for inpatient and (2) a discount from Medicaid fee-for-service rates for outpatient. Patients who meet the Health System's criteria for free care are provided care without charge; such amounts are not reported as revenue.

Generally, the Health System bills patients and third-party payers several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Health System. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Health System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligations based on the services needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the Health System's outpatient and ambulatory care centers or in their homes (home care). The Health System measures the performance obligation from admission into the hospital or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

2. Net Patient Service Revenue (continued)

As substantially all of its performance obligations relate to contracts with a duration of less than one year, the Health System has elected to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the Health System's in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended December 31, 2018, changes in the Health System's estimates of expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the year ended December 31, 2018 was not significant.

The Health System has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payers, lines of business and timing of when revenue is recognized. Tables providing details of these factors are presented below.

Net patient service revenue for the year ended December 31, 2018, by payer is as follows (in thousands):

Medicare and Medicare managed care	$ 1,906,712
Medicaid and Medicaid managed care	1,535,549
Commercial carriers and managed care	1,957,000
Self-pay and other	59,191
	$ 5,458,452

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the self-pay and other category above.

2. Net Patient Service Revenue (continued)

Net patient service revenue for the year ended December 31, 2018, by line of business is as follows (in thousands):

Inpatient services	$ 2,775,520
Physician and other outpatient services	1,702,234
Managed care premiums	739,062
Emergency department	205,943
All other	35,693
	$ 5,458,452

The Health System has elected the practical expedient allowed under ASU 2014-09 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Health System's expectation that the period of time between the service being provided and billing will be one year or less. However, the Health System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

At December 31, 2018, receivables for patient care, net is comprised of the following components (in thousands):

Patient receivables	$ 332,204
Contract assets	80,038
	$ 412,242

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting date and for which the Health System does not have the right to bill.

The allowance for doubtful accounts was not significant at December 31, 2018. The allowance for doubtful accounts was approximately $64.3 million at December 31, 2017.

2. Net Patient Service Revenue (continued)

Settlements with third-party payers (see description of third-party payer payment programs below) for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Health System's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the year ended December 31, 2018.

Under certain managed care contracts, the Health System receives from the insurer a monthly premium per enrollee during the term of enrollment. The premium revenue, which is based on individual contracts, is recognized in the period earned and is included within net patient service revenue in the accompanying consolidated statements of operations. Under such arrangements, the Health System manages and, directly and through arrangements with other health care providers, delivers health care services to enrollees in accordance with the terms of the subscriber agreements.

Prior to the adoption of ASU 2014-09, the Health System recognized patient service revenue at the estimated net realizable amounts associated with services provided to patients who have third-party payer coverage on the basis of contractual or formula-driven rates for the services rendered and included estimated retroactive revenue adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments were considered in the recognition of revenue on an estimated basis in the period that related services were rendered, and such amounts adjusted in future periods as adjustments became known or as years were no longer subject to such audits, reviews and investigations.

2. Net Patient Service Revenue (continued)

Net patient service revenue, net of contractual allowances and discounts, for the year ended December 31, 2017, is as follows (in thousands):

Medicare and Medicare managed care	$ 1,639,094
Medicaid and Medicaid managed care	1,569,792
Commercial carriers and managed care	1,917,084
Self-pay and other	82,595
	5,208,565
Bad debt expense	(74,962)
Net patient service revenue	$ 5,133,603

Third-Party Payer Programs

The Health System has agreements with third-party payers that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare Reimbursement: Hospitals are paid for most Medicare patient services under national prospective payment systems and other methodologies of the Medicare program for certain other services. Federal regulations provide for adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.

Non-Medicare Reimbursement: In New York State, hospitals and all non-Medicare payers, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payers are billed at hospitals' established charges. Medicaid, workers' compensation and no-fault payers pay hospital rates promulgated by the New York State Department of Health (DOH). Payments to hospitals for Medicaid, workers' compensation and no-fault inpatient services are based on a statewide prospective payment system, with retroactive adjustments.

Outpatient services also are paid based on a statewide prospective system. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until the Health System is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payers will continue to be made in future years.

2. Net Patient Service Revenue (continued)

Other Third-Party Payers: The Health System also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Health System under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through various dates from December 31, 2001 to December 31, 2016, although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for audit and settlement, as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Health System's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Health System. The Health System is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations. In addition, certain contracts the Health System has with commercial payers also provide for retroactive audit and review of claims.

There are various proposals at the federal and state levels that could, among other things, significantly change payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been or will be enacted by the federal and state governments, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Health System. Additionally, certain payers' payment rates for various years have been appealed by the Health System. If the appeals are successful, additional income applicable to those years could be realized.

3. Availability and Liquidity of Financial Assets

The table below represents financial assets available for general expenditures within one year at December 31, 2018 (in thousands):

Financial assets at year-end:	
Cash and cash equivalents	$ 392,270
Marketable and other securities	1,460,882
Assets limited as to use	282,406
Receivables for patient care, net	412,242
Pledges receivable, net	10,632
Total financial assets	2,558,432
Less amounts not available to be used within one year:	
Donor restricted funds	(102,173)
Debt-related sinking and debt service funds	(1,393)
Managed care cash reserves required by contracts	(3,969)
Lease escrow deposits	(7,012)
Employee deferred compensation plan assets	(53,869)
Professional liabilities	(1,807)
Board designated funds	(26,894)
Security agreement escrow deposit	(30,000)
Other	(2,516)
Alternative investments held in illiquid private equity funds	(30,440)
Financial assets not available to be used within one year	(260,073)
Financial assets available to meet general expenditures over the next twelve months	$ 2,298,359

The Health System has certain donor restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Health System has other assets limited as to use which are detailed in Note 4. These assets limited as to use are not available for general expenditure within the next year. As part of the Health System's liquidity management plan, operating cash in excess of daily requirements are invested in short-term investments and money market funds. Additionally, the Health System maintains various lines of credit aggregating to approximately $79.3 million, as discussed in more detail in Note 7. As of December 31, 2018, approximately $55.1 million remained available on the Health System's line of credit.

4. Marketable and Other Securities

The composition of marketable and other securities and assets limited as to use follows:

	December 31	
	2018	**2017**
	(In Thousands)	
Marketable and other securities	**$ 1,460,882**	$ 754,309
Assets limited as to use	**282,406**	351,084
	$ 1,743,288	$ 1,105,393
Managed cash and cash equivalents held for investment	**$ 433,034**	$ 72,570
Corporate debt	**795,772**	266,888
U.S. Treasury securities	**44,702**	126,648
U.S. Government agency mortgage-backed securities	**39,513**	51,771
U.S. Government agency-backed securities	**35,330**	26,764
Equity securities	**76,208**	107,234
Non-equity mutual funds	**128,111**	215,905
Equity mutual funds	**50,042**	52,540
Alternative investments	**87,515**	116,502
Collective trust funds	**48,587**	65,118
Investment contracts	**1,953**	2,146
Interest and other receivables	**2,521**	1,307
	$ 1,743,288	$ 1,105,393

4. Marketable and Other Securities (continued)

The composition of assets limited as to use follows:

	December 31	
	2018	**2017**
	(In Thousands)	
Donor restricted funds	**$ 102,173**	$ 108,141
Debt-related sinking and debt service funds	**2,968**	81,737
Managed care cash reserves required by contracts	**55,009**	53,655
Lease escrow deposits	**7,104**	19,442
Employee deferred compensation plan assets	**53,869**	52,108
Professional liabilities	**1,807**	2,263
Board designated funds	**26,894**	30,106
Security agreement escrow deposit	**30,000**	–
Other	**2,582**	3,632
Total assets limited as to use	**282,406**	351,084
Less: current portion of assets limited as to use	**(52,774)**	(59,407)
Assets limited as to use, net of current portion	**$ 229,632**	$ 291,677

Investment returns for the years ended December 31, 2018 and 2017, are comprised as follows:

	Year Ended December 31	
	2018	**2017**
	(In Thousands)	
Interest and dividend income	**$ 30,332**	$ 12,869
Net realized gains and losses on marketable and other securities	**15,473**	23,165
Change in net unrealized gains and losses on marketable and other securities	**(38,042)**	21,670
	$ 7,763	$ 57,704

5. Property, Buildings, and Equipment

A summary of property, buildings, and equipment follows:

	December 31	
	2018	**2017**
	(In Thousands)	
Land and land improvements	**$ 142,008**	$ 136,243
Buildings, fixed equipment, and improvements	**2,271,951**	2,190,458
Movable equipment	**1,679,914**	1,575,325
	4,093,873	3,902,026
Less accumulated depreciation and amortization	**(2,492,131)**	(2,283,772)
	1,601,742	1,618,254
Construction-in-progress	**83,888**	59,511
	$ 1,685,630	$ 1,677,765

Substantially all property, buildings and equipment are pledged as collateral under various debt agreements.

6. Operating Leases

Total rental expense included in supplies and other expenses aggregated approximately $78.5 million and $71.6 million for the years ended December 31, 2018 and 2017, respectively.

Future minimum payments, by year and in the aggregate, under non-cancelable operating leases with initial or remaining terms of one year or more at December 31, 2018, consisted of the following (in thousands):

2019	$ 67,886
2020	68,211
2021	66,486
2022	62,329
2023	57,628
2024 and thereafter	1,129,838
Total minimum lease payments	$ 1,452,378

7. Long-Term Debt

A summary of long-term debt follows:

	December 31	
	2018	**2017**
	(In Thousands)	
Medical Center DASNY Series 2018A bonds payable[(a)]	**$ 309,045**	$ –
Medical Center DASNY Series 2018B bonds payable[(a)]	**376,105**	–
Montefiore Obligated Group Series 2018C bonds payable[(a)]	**481,950**	–
Medical Center FHA Section 242 insured mortgage loan[(b)]	–	79,998
Medical Center FHA Section 241 insured mortgage loans[(c)]	–	240,587
HDC residential revenue bonds payable[(d)]	–	5,600
Bank loans payable[(e)]	**29,704**	100,488
Housing II mortgages payable[(f)]	**18,071**	18,252
MCORP bonds payable[(g)]	–	17,630
NYC IDA bonds payable[(g)]	–	12,380
Build NYC bonds payable[(h)]	**63,613**	67,620
Equipment leasing programs[(i)]	**73,354**	228,270
Ambulatory care center financing[(j)]	**55,390**	56,419
DASNY mortgages [(k)]	**26,921**	14,868
Nyack loans payable[(l)]	**14,234**	13,287
White Plains mortgage payable[(m)]	–	12,085
White Plains construction loans[(n)]	**6,601**	7,545
White Plains capital lease obligations[(o)]	**7,463**	8,513
St. Luke's IDA bonds[(p)]	**36,995**	39,640
Other	**1,122**	3,021
	1,500,568	926,203
Add unamortized premiums and discounts, net	**30,362**	849
Less deferred financing costs	**(24,234)**	(5,674)
Less current portion	**(52,296)**	(104,885)
	$ 1,454,400	$ 816,493

[(a)] In August 2018, three series of bonds were issued; the Dormitory Authority of the State of New York (DASNY) Montefiore Obligated Group Revenue Bonds, Series 2018A (Tax-Exempt) (the Series 2018A Bonds); the DASNY Montefiore Obligated Group

7. Long-Term Debt (continued)

Revenue Bonds, Series 2018B (Federally Taxable) (the Series 2018B Bonds); and the Montefiore Obligated Group Taxable Bonds, Series 2018C (the Series 2018C Bonds), (collectively, the Series 2018 Bonds). The proceeds from the Series 2018 Bonds were used to refund or refinance certain existing indebtedness (see sections b – e, g and i below), provide working capital, and fund future projects. As a result of the refinancing, the Medical Center recorded a gain on debt refinancing of approximately $2.1 million during 2018, included within other nonoperating gains and losses, net in the consolidated statements of operations. The Series 2018 Bonds are general obligations of the Montefiore Obligated Group (of which the Medical Center is currently the only member) and further secured by a mortgage on certain real property.

The Series 2018A Bonds were sold at a premium, of which approximately $31.8 million was recorded as a component of the related long-term debt as of December 31, 2018, and is being amortized using the effective interest method over the term of the Series 2018A Bonds. The Series 2018A Bonds maturing from 2024 through 2035 carry a coupon rate of 5.00% and the Series 2018A Bonds maturing from 2036 through 2038 carry a coupon rate of 4.00%. Interest payments are due semiannually beginning February 1, 2019. With the exception of certain limited circumstances, the Series 2018A Bonds may not be prepaid prior to August 1, 2028. Subsequent to August 1, 2028, the Series 2018A Bonds may be prepaid without penalty.

The Series 2018B Bonds were sold at a discount, of which approximately $1.5 million was recorded as a component of the related long-term debt as of December 31, 2018, and is being amortized using the effective interest method over the term of the Series 2018B Bonds. The Series 2018B Bonds maturing August 1, 2034 carry a 5.10% coupon rate and begin to amortize in 2030. The Series 2018B Bonds maturing August 1, 2048 have a 4.96% coupon rate and begin to amortize in 2035. The Series 2018B Bonds maturing in 2034 may be prepaid at any time subject to certain restrictions. Interest payments are due semiannually beginning February 1, 2019. With the exception of certain limited circumstances, the Series 2018B Bonds maturing in 2048 may not be prepaid prior to August 1, 2028, after which they may be prepaid without penalty. The principal and interest of the Series 2018B Bonds maturing in 2048 is insured by a third party.

7. Long-Term Debt (continued)

The Series 2018C Bonds mature in 2048 and carry a coupon rate of 5.25% and begin to amortize November 1, 2035. Interest payments are due semiannually beginning in May 2019. The Series 2018C Bonds may be prepaid at any time, subject to certain restrictions.

(b) Prior to the August 2018 refinancing noted in section (a) above, the Medical Center had a mortgage agreement insured under the provisions of the Federal Housing Administration (FHA) 242 Program to finance certain construction and renovation projects. The loan was secured by a first mortgage on substantially all of the Medical Center's real property and certain other assets and carried an interest rate of 2.47%. On August 1, 2018, the mortgage loan was satisfied through the issuance of the Series 2018 Bonds.

(c) Prior to the August 2018 refinancing noted in section (a) above, the Medical Center had four mortgage agreements insured under the provisions of the FHA 241 Program to finance certain construction and renovation projects. The interest rates on the mortgage loans ranged from 3.21% to 4.55%. The Medical Center recorded a mortgage premium as a component of long-term debt related to the termination of a forward starting interest rate swap agreement. The balance outstanding was approximately $804,000 at December 31, 2017. The mortgage premium was being amortized over the life of the mortgage using the effective interest method. On August 1, 2018, the mortgage loans were satisfied through the issuance of the Series 2018 Bonds and the remaining mortgage premium was written off.

(d) Prior to the August 2018 refinancing noted in section (a) above, the proceeds of New York City Housing Development Corporation (HDC) revenue bonds were used by the Medical Center for a staff housing project. Interest was payable monthly at a variable rate (3.08% at December 31, 2017). The amounts due were secured by a mortgage and a revenue pledge on the underlying property financed and an irrevocable direct pay letter of credit issued by a bank in the amount of approximately $5.7 million at December 31, 2017. No unreimbursed draws were made under the direct pay letter of credit during the years ended December 31, 2018 and 2017. On August 1, 2018, the HDC revenue bonds were refunded with the proceeds of the Series 2018 Bonds and the letter of credit was terminated.

7. Long-Term Debt (continued)

(e) Bank loans payable consist of the following at December 31, 2018 and 2017:

	December 31 2018	2017
	(In Thousands)	
Medical Center bank loans payable at varying dates through November 2021, at fixed and variable rates ranging from 3.43% – 3.73% at December 31, 2017	**$ –**	$ 12,624
Medical Center bank loan payable due in September 2022 at a fixed rate of 4.00%	**299**	–
Medical Center mortgage loan payable due in February 2019 at a fixed rate of 1.67%	**–**	30,000
MCORP mortgage loan payable due in March 2020 at a fixed rate of 2.49%	**–**	34,989
MCORP bank loan payable due in May 2028 at a fixed rate of 4.13%	**2,475**	–
White Plains bank notes payable at varying dates through 2027 at fixed and variable rates ranging from 2.24% – 3.10% at December 31, 2018 and 2017, respectively	**10,136**	12,408
White Plains line of credit	**7,227**	–
Burke line of credit	**2,667**	2,967
St. Luke's bank loans payable due in April 2020 at variable rates ranging from 4.50% – 7.00%	**6,900**	7,500
	$ 29,704	$ 100,488

On August 1, 2018, several of the loans were paid off with the proceeds of the Series 2018 Bonds. The Medical Center has a line of credit with a bank aggregating approximately $30.0 million. At December 31, 2018 and 2017, no amounts were outstanding under this line. The line of credit expires in June 2019.

White Plains has an unsecured line of credit with a bank aggregating approximately $25.0 million. At December 31, 2018, approximately $7.2 million was outstanding (no amounts were outstanding under this line at December 31, 2017). The interest rate on any advances are based on LIBOR plus 0.55%. Interest rates ranged from 2.20% to 5.25% during 2018. The line of credit expires in November 2019.

7. Long-Term Debt (continued)

Burke has a line of credit with a financial institution of approximately $4.73 million. Interest is based on the prime rate minus 75 basis points. The line is secured by investments. Approximately $2.7 million and $3.0 million was outstanding at an interest rate of 4.50% and 3.75% at December 31, 2018 and 2017, respectively.

During 2018, MHS entered into a letter of credit agreement with a bank aggregating approximately $744,000. At December 31, 2018, no amounts were drawn under the letter of credit. The letter of credit expires in April 2020.

(f) Housing II has primary and subordinate mortgage agreements with HDC. At December 31, 2018 and 2017, the primary mortgage amount outstanding was approximately $5.3 million and $5.5 million, respectively. The primary mortgage has a final maturity date in January 2035 and the interest rate is 6.5%. At December 31, 2018 and 2017, the subordinate mortgage amount outstanding was approximately $12.8 million and bears no interest. The subordinate mortgage is payable in full in April 2035 and Housing II has used 1.8% as the interest rate for the purposes of recognizing interest expense under the assumption that the mortgages will remain outstanding through 2035.

Substantially all of Housing II's property and equipment rents and profits are collateral for the mortgages. In addition, any requests for rental increases must be approved by HDC. During the years ended December 31, 2018 and 2017, Housing II maintained the reserve for replacement account in accordance with HDC requirements. Monthly deposits aggregating approximately $5,000 are required to be made into this account.

(g) Prior to the August 2018 refinancing noted in section (a) above, MCORP financed the acquisition of certain real estate with the proceeds of two financings: New York City Industrial Development Agency (NYC IDA) revenue bonds and MCORP taxable bonds. Interest on the NYC IDA bonds had an average coupon rate of 4.96% at December 31, 2017. Interest on the MCORP taxable bonds was payable monthly at a variable rate of 3.08% at December 31, 2017. The bonds were sold at a premium, of which approximately $135,000 was recorded as a component of the related long-term debt as of December 31, 2017.

7. Long-Term Debt (continued)

Both bond issues were secured by direct pay letters of credit from a bank in the amounts of approximately $12.9 million and $18.0 million at December 31, 2017. The letters of credit were secured by a mortgage on the properties financed. No unreimbursed draws were made under the direct pay letters of credit during the years ended December 31, 2018 and 2017. On August 1, 2018, both series of MCORP bonds were refunded with the proceeds of the Series 2018 Bonds, the remaining mortgage premium was written off and the letters of credit were terminated

(h) During 2013, the Medical Center issued Build NYC Resource Corporation Revenue Bonds, Series 2013A and Series 2013B (2013 Bonds) through Build NYC Resource Corporation, to finance a leasehold renovation project secured by a leasehold mortgage. At December 31, 2018 and 2017, a total of approximately $63.6 million and $67.6 million was outstanding, respectively. Interest on the 2013 Bonds is payable monthly at variable rates (3.46% and 2.42% at December 31, 2018 and 2017, respectively). Principal is payable monthly through June 2030. The 2013 Bonds are subject to prepayment without penalty, upon satisfaction of certain notice provisions.

(i) In addition to amounts previously borrowed, the Medical Center borrowed approximately $46.7 million during the year ended December 31, 2017 under equipment leases to finance certain capital projects (no amounts were borrowed during the year ended December 31, 2018). The interest rates associated with the Medical Center's various equipment lease borrowings range from 1.06% to 2.23%. On August 1, 2018, certain of these leases were paid off with the proceeds of the Series 2018 Bonds.

In July 2017, White Plains has entered into a tax-exempt leasing program (TELP) agreement for approximately $18.2 million. Proceeds from the leasing program were deposited into an escrow account which will be used to reimburse White Plains as approved capital expenditures are incurred. The interest rate under the TELP agreement is 1.62%. Approximately $13.3 million and $18.0 million was outstanding at December 31, 2018 and 2017, respectively.

Nyack borrowed approximately $3.0 million and $902,000 during the years ended December 31, 2018 and 2017, respectively under equipment loans. The interest rates associated with Nyack's various equipment loan borrowings range from 2.40% to 6.40%.

7. Long-Term Debt (continued)

(j) The Medical Center has a real estate lease for an ambulatory care center. The lease was accounted for as a financing transaction; accordingly, an obligation of approximately $55.4 million and $56.4 million was outstanding at December 31, 2018 and 2017, respectively. Payments of principal and interest commenced in September 2015 and extend through September 2030.

(k) The Medical Center has two loan agreements with DASNY in connection with substance abuse treatment facilities, one of which was entered into during 2018. The loans are secured by mortgages on the facilities. At December 31, 2018 and 2017, a total of approximately $26.9 million and $14.9 million was outstanding, respectively. Interest payments are due semiannually at rates ranging from approximately 3.85% to 4.40% and principal payments are due annually through February 2030 on the first loan and February 2036 on the second loan. To the extent that the Medical Center continues to meet certain conditions, its obligations to make interest and principal payments will be funded by the New York State Office of Alcoholism and Substance Abuse Services (OASAS) under a state aid grant lien. During 2018 and 2017, OASAS funded approximately $3.2 million and $1.5 million, respectively, of principal, interest and fees associated with this loan.

(l) In February 2017, Nyack entered into a credit agreement with Gemino Healthcare Finance, LLC (Gemino). Gemino provides a revolving line of credit up to $20.0 million based on a borrowing base that is equal to 85% of the net collectible value of eligible billed accounts receivable aged up to 150 days and 75% of the net collectible value of eligible unbilled accounts receivable aged up to 45 days. The interest rate on the revolving line of credit is computed from a base rate of 3-month LIBOR plus 3.95%. The interest rate as of December 31, 2018 and 2017 was 7.4% and 5.6%, respectively.

(m) White Plains had a mortgage agreement with the DASNY insured under the provisions of the FHA 242 Program. The insured mortgage loan was collateralized by a mortgage on a portion of White Plains' real property and a security interest in personal property. In December 2018, White Plains paid down the remaining balance of approximately $9.1 million. Due to the extinguishment of the loan, White Plains recorded a gain on extinguishment of debt of approximately $1.2 million, included within other nonoperating gains and losses, net in the consolidated statements of operations.

7. Long-Term Debt (continued)

(n) In November 2015, in conjunction with the lease of office space for certain physician practices, White Plains entered into a construction loan agreement with the landlord to finance various leasehold improvements to the office space. The note bears an interest rate of 6.5% and is payable monthly through June 2025. Approximately $3.3 million and $3.7 million was outstanding at December 31, 2018 and 2017, respectively.

In July 2016, in conjunction with the lease of additional office space, White Plains entered into another construction loan agreement. The note bears an interest rate of 6.0% and is payable monthly through June 2026. Approximately $3.3 million and $3.6 million was outstanding at December 31, 2018 and 2017, respectively.

(o) On October 30, 2008, White Plains entered into a lease and sublease agreement by and between the City of White Plains and The White Plains Urban Renewal Agency (the Renewal Agency), whereby White Plains subleased from the Renewal Agency parking spaces within a municipal parking garage for the exclusive use by White Plains. The remaining balance outstanding under the sublease agreement was approximately $6.2 million at December 31, 2018 and 2017.

In March 2016, White Plains entered into a capital lease agreement with Intuitive Surgical, Inc., for $4.0 million to finance two surgical robotic systems (the Robotic Lease). Monthly principal and interest payments are due through 2020. Interest on the Robotic Lease is based on a fixed rate of 2.0%. Principal amounts outstanding under the Robotic Lease were approximately $1.3 million and $2.3 million at December 31, 2018 and 2017, respectively.

(p) In 2001, St. Luke's borrowed funds to finance certain projects. The proceeds were obtained in connection with the issuance and sale by the Orange County Industrial Development Agency (IDA) of its Civic Facility Revenue Bonds Series 2001A and Series 2001B. Approximately $12.7 million and $14.0 million was outstanding under these debt agreements at December 31, 2018 and 2017, respectively. The bonds are secured by certain buildings, fixtures and property and mature in 2021 and 2026. The interest rates ranged from 2.5% to 5.58% at December 31, 2018 and 2017.

In November 2005, St. Luke's entered into an agreement with Community Development Properties Dubois Street II, Inc. (CDP) to construct, own and operate on property leased (through a ground lease) from St. Luke's, a 224,320 square-foot

7. Long-Term Debt (continued)

five-story public parking garage adjacent to St. Luke's containing approximately 550 parking spaces, a heliport and a skyway connecting the parking garage to St. Luke's. CDP is an affiliate of NDC Housing and Economic Development Corporation, a Virginia non-stock corporation exempt from federal income taxes.

The parking garage is owned and operated by CDP. In the year 2036, the parking garage and related improvements will transfer to St. Luke's upon the expiration of the ground lease. In addition, St. Luke's entered into a MakeWell Agreement with a bank in order to guarantee minimum payments and sufficient revenue for CDP to maintain certain required ratios under its financing agreements. Under this arrangement, U.S. generally accepted accounting principles require the parking garage assets to be reflected in the consolidated statements of financial position, along with the related debt incurred to finance these assets, and St. Luke's is also required to report the underlying operations of the project in the consolidated statements of operations. The parking garage was initially placed in limited service in December 2006 and was fully operational in April 2007.

The proceeds were obtained by CDP through financing with the City of Newburgh IDA. The Series 2005A Bonds are Variable Rate Demand Civic Facility Revenue Bonds, issued in aggregate principal amount of approximately $21.2 million maturing in October 2030. KeyBank National Association (KeyBank) holds the outstanding bonds as bank qualified bonds which contain a demand purchase option which allows the bank to exercise a demand provision on or after November 30, 2020. Approximately $13.1 million and $14.0 million was outstanding under this debt agreement at December 31, 2018 and 2017, respectively. The interest rate was 1.64% and 1.02% at December 31, 2018 and 2017, respectively.

In June 2006, St. Luke's borrowed funds for various hospital renovation projects. The proceeds were obtained in connection with the issuance and sale by Orange County IDA of its Variable Rate Demand Civic Facility Revenue bonds Series 2006 issued in the aggregate principal amount of approximately $16.0 million, maturing in July 2032. KeyBank holds the outstanding bonds as bank qualified bonds which contain a demand purchase option which allows the bank to exercise a demand provision on or after November 30, 2020. Approximately $11.2 million and $11.7 million was outstanding under this debt agreement at December 31, 2018 and 2017, respectively. The interest rate was 1.64% and 1.02% at December 31, 2018 and 2017, respectively.

7. Long-Term Debt (continued)

The aggregate amount of principal payments required under all long-term indebtedness based on scheduled repayment terms, including capital leases, at December 31, 2018 are as follows (in thousands):

2019	$ 51,278
2020	33,173
2021	27,563
2022	29,671
2023	26,576
2024 and thereafter	1,332,307
	$ 1,500,568

Prior to the pay down of the FHA insured mortgage loans, the Medical Center and White Plains were required to place specified amounts into mortgage reserve funds and maintain the mortgage reserve funds at specified minimum balances for the FHA insured mortgage loans. At December 31, 2017, the Medical Center and White Plains met the funding requirements and minimum mortgage reserve fund balances related to the FHA insured mortgage loans. During 2018, the mortgage reserve funds were released.

Substantially all of the Health System's property, buildings and equipment and other assets serve as collateral under the various debt arrangements. In addition, the Medical Center, Nyack, White Plains and St. Luke's must maintain certain financial ratios and, among other things, obtain approval to incur additional debt above specified amounts. There were no instances of noncompliance with such covenants at December 31, 2018 and 2017 for the Medical Center and White Plains.

Nyack did not have any instances of noncompliance during 2017. Nyack was not in compliance for the first two quarters of 2018, but was in compliance for the last two quarters of 2018. Nyack has concluded it is not probable it will meet the required fixed charge coverage ratio calculation for the fourth quarter of 2019. Due to these instances of historical and potential future noncompliance, Nyack's debt under the agreement with Gemino is classified as current in the accompanying consolidated statements of financial position.

7. Long-Term Debt (continued)

In October 2017, St. Luke's entered into a Forbearance Agreement (FA) with its lenders that expires March 31, 2020 and encompasses the IDA debt described above. Under the FA, the lenders have agreed to take no remedial action against St. Luke's (relating to St. Luke's noncompliance with certain financial ratio covenants under the existing loan agreements), as long as St. Luke's maintains a minimum of 25 days cash on hand and debt service coverage of at least 1.25 on each subsequent December 31st and June 30th. All other covenants remain as stated in the original debt and loan agreements. Based on the compliance measurements at December 31, 2018, St. Luke's is in compliance with the covenant requirements.

Interest paid during the years ended December 31, 2018 and 2017, amounted to approximately $32.5 million and $37.0 million, respectively.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	December 31	
	2018	**2017**
	(In Thousands)	
Health care related services	**$ 84,160**	$ 85,792
Collateralizing bank financing, teaching and research	**38,346**	38,358
Construction and renovation projects	**22,607**	24,503
Research	**7,042**	7,126
Other	**2,174**	2,599
	$ 154,329	$ 158,378

The Health System follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as it relates to its endowments.

The Health System's endowments consist of donor-restricted funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

8. Net Assets with Donor Restrictions (continued)

The Health System requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Health System classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) if applicable, any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Endowment assets include those assets of donor-restricted funds that the Health System must hold in perpetuity or for a donor-specified term.

The Health System's investment and spending policies for endowment assets seek to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets.

For the years ended December 31, 2018 and 2017, the Health System had the following endowment-related activities:

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
	(In Thousands)		
Endowment balance, beginning of year	**$ –**	**$ 59,129**	**$ 59,129**
Additions	**–**	**–**	**–**
Investment income	**1,185**	**(320)**	**865**
Amounts appropriated for expenditure	**(1,185)**	**(89)**	**(1,274)**
Net change in endowment funds	**–**	**(409)**	**(409)**
Endowment balance, end of year	**$ –**	**$ 58,720**	**$ 58,720**

	2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
	(In Thousands)		
Endowment balance, beginning of year	$ –	$ 57,119	$ 57,119
Additions	–	1,606	1,606
Investment income	893	974	1,867
Amounts appropriated for expenditure	(893)	(570)	(1,463)
Net change in endowment funds	–	2,010	2,010
Endowment balance, end of year	$ –	$ 59,129	$ 59,129

9. Benefit Plans

Pension Plans

Certain entities in the Health System provide pension and similar benefits to its employees through several plans, including various multiemployer plans for union employees, two noncontributory defined benefit pension plans for eligible employees of the Medical Center, a noncontributory defined benefit pension plan for eligible employees of Nyack, a noncontributory defined benefit retirement plan covering employees of White Plains (frozen in 2006), a noncontributory defined benefit retirement plan for St. Luke's employees (frozen in 2010), and a noncontributory defined benefit pension plan for employees of Burke (frozen effective December 31, 2017) (the non-multiemployer plans are collectively referred to as the Pension Plans). The entities also provide several other contributory defined contribution plans.

It is the policy for the entities to contribute amounts sufficient to meet funding requirements in accordance with the Employee Retirement Income Security Act of 1974 and the Pension Protection Act of 2006. Amounts contributed to the Pension Plans are based on actuarial valuations. The benefits for participants or their beneficiaries in the Pension Plans are based on years of service and employees' compensation during their years of employment as applicable to each plan.

Total expense, included in the accompanying consolidated statements of operations for the various plans, aggregated approximately $166.1 million and $151.4 million for the years ended December 31, 2018 and 2017, respectively. Cash payments relative to the various plans aggregated approximately $174.4 million and $150.3 million for the years ended December 31, 2018 and 2017, respectively.

Postretirement Benefits

Certain entities in the Health System provide certain health care and life insurance benefits to certain eligible retired non-union employees and their dependents through several defined benefit postretirement or health and welfare plans (the Postretirement Plans).

Multiemployer Plans

The Medical Center, MNR, MMV, SECC, Nyack, White Plains and St. Luke's contribute to various multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover its union-represented employees, including the New York State Nurses Association Pension Plan (NYSNA) and the 1199SEIU Healthcare Employees Pension Fund

9. Benefit Plans (continued)

(1199SEIU). Contributions to union multiemployer pension plans are made in accordance with contractual agreements under which contributions are based on a percentage of salaries or a negotiated amount. The risks of participating in these multiemployer plans are different from single-employer plans in the following respects:

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

These entities' participation in these plans for the years ended December 31, 2018 and 2017, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan numbers. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2018 and 2017 is for the plan's year end at December 31, 2017 and 2016, respectively. The zone status is based on information received from the plans and is certified by the plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Pending/ Implemented	Contributions From the Health System		Surcharge Imposed	Expiration Dates of Collective-Bargaining Agreements
		January 1, 2018	January 1, 2017		2018	2017		
					(In Thousands)			
NYSNA	13-6604799/001	**Green**	Green	N/A	**$ 30,955**	$ 29,258	No	12/31/2018, 6/30/2019
1199SEIU	13-3604862/001	**Green**	Green	N/A	**$ 68,985**	$ 63,825	No	4/30/2019, 9/30/2021

9. Benefit Plans (continued)

The Medical Center was listed in the plans' Forms 5500 as providing more than 5% of the total contributions for the following plan years:

Pension Fund	Year Contributions to Plan Exceeded More Than 5% of Total Contributions (as of December 31 of the Plan's Year End)
NYSNA	2017 and 2016
1199SEIU	2017 and 2016

At the date the Health System's consolidated financial statements were issued, Forms 5500 were not available for the plans' year ended in 2018.

Certain White Plains employees represented by a bargaining unit participate in a multiemployer health and welfare plan. For these employees, White Plains contributes to the 1199SEIU National Benefit Fund for Health and Human Service Employees (the Multiemployer H&W Plan). The Multiemployer H&W Plan provides medical benefits to active union employees and retirees. White Plains contributed approximately $2.9 million and $2.8 million for the years ended December 31, 2018 and 2017, respectively.

Defined Benefit Plans

The Health System recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of the defined benefit plans in its consolidated statements of financial position. Net unrecognized actuarial losses and net unrecognized prior service costs at the reporting date will be subsequently recognized in the future as net periodic pension benefit cost pursuant to the Health System's accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension benefit cost in the same periods will be recognized as a component of net assets without donor restrictions.

9. Benefit Plans (continued)

Included in unrestricted net assets at December 31, 2018 and 2017, are the following amounts that have not yet been recognized in net periodic benefit cost:

	Pension Plans		Postretirement Plans	
	2018	**2017**	**2018**	**2017**
	(In Thousands)			
Unrecognized actuarial loss	**$ 32,495**	$ 20,885	**$ 31,480**	$ 43,819
Unrecognized prior service cost (credit)	**45**	89	**(276)**	(2,055)
	$ 32,540	$ 20,974	**$ 31,204**	$ 41,764

The unrecognized net prior service cost (credit) and actuarial loss included in net assets without donor restrictions expected to be recognized as net periodic pension benefit cost during the year ending December 31, 2019, are approximately ($200,000) and $3.3 million, respectively.

The following tables provide a reconciliation of the changes in the benefit obligations and fair value of plan assets for the years ended December 31, 2018 and 2017 and the funded status and accumulated benefit obligation as of December 31, 2018 and 2017 (combined for the plans):

	Pension Plans		Postretirement Plans	
	2018	**2017**	**2018**	**2017**
	(In Thousands)			
Changes in benefit obligation				
Benefit obligation at January 1	**$ 468,993**	$ 441,463	**$ 192,510**	$ 162,019
Service cost	**7,665**	8,872	**12,644**	11,496
Interest cost	**16,579**	18,019	**7,371**	7,147
Actuarial (gain) loss	**(22,910)**	29,808	**(9,323)**	16,638
Benefit payments, net	**(35,378)**	(27,247)	**(5,575)**	(4,790)
Plan settlements	**–**	(1,922)	**–**	–
Benefit obligation at December 31	**$ 434,949**	$ 468,993	**$ 197,627**	$ 192,510
Change in plan assets				
Fair value of plan assets at January 1	**$ 349,594**	$ 316,878	**$ –**	$ –
Actual return on plan assets	**(17,553)**	46,534	–	–
Employer contributions	**24,091**	13,571	**5,575**	4,790
Benefit payments, net	**(35,354)**	(27,389)	**(5,575)**	(4,790)
Fair value of plan assets at December 31	**$ 320,778**	$ 349,594	**$ –**	$ –

9. Benefit Plans (continued)

	Pension Plans		Postretirement Plans	
	2018	**2017**	**2018**	**2017**
	(In Thousands)			
Funded status				
Amounts recognized in the consolidated statements of financial position	**$ (114,171)**	$ (119,399)	**$ (197,627)**	$ (192,510)
Accumulated benefit obligation at December 31	**$ 420,966**	$ 451,494		

At December 31, 2018 and 2017, approximately $16.4 million and $15.5 million, respectively, related to the funded status of the plans was included in accrued salaries, wages and related items in the accompanying consolidated statements of financial position.

The actuarial (gains) losses are primarily related to changes in the assumptions for the discount rate, mortality table and mortality projection scale used to measure the benefit obligation at December 31, 2018 and 2017.

The following table provides the components of the net periodic pension benefit cost for the years ended December 31, 2018 and 2017:

	Pension Plans		Postretirement Plans	
	2018	**2017**	**2018**	**2017**
	(In Thousands)			
Service cost	**$ 7,665**	$ 8,872	**$ 12,644**	$ 11,496
Interest cost	**16,579**	18,019	**7,371**	7,147
Expected return on plan assets	**(20,901)**	(20,231)	–	–
Amortization of prior service cost (benefit)	**45**	116	**(1,779)**	(1,779)
Amortization of net loss	**1,805**	1,253	**3,545**	1,867
Settlement cost	**1,575**	1,139	–	–
Net periodic pension benefit cost	**$ 6,768**	$ 9,168	**$ 21,781**	$ 18,731

9. Benefit Plans (continued)

The weighted-average assumptions used to determine benefit obligations and net periodic pension benefit cost as of and for the years ended December 31, 2018 and 2017 are as follows:

	Pension Plans		Postretirement Plans	
	2018	**2017**	**2018**	**2017**
Benefit obligations				
Discount rate	**3.65%–4.44%**	3.28%–3.90%	**4.18%–4.46%**	3.64%–3.90%
Rate of compensation increases	**3.00%–4.00%**	2.00%–4.00%	**3.00%**	3.00%
Net periodic pension benefit cost				
Discount rate	**3.28%–3.90%**	3.69%–4.52%	**3.64%–3.90%**	4.22%–4.50%
Expected long-term rate of return on plan assets	**5.75%–7.00%**	5.75%–7.50%	**N/A**	N/A
Rate of compensation increases	**3.00%–4.00%**	2.00%–4.00%	**N/A**	N/A

Assumed health care cost trend rates at December 31 are as follows:

	2018	**2017**
Health care cost trend rate	**6.80%**	7.60%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**4.30%**	4.50%
Years that the rate reaches the ultimate trend rate	**2026**	2025

9. Benefit Plans (continued)

Assumed health care cost trend rates have a significant effect on the amounts reported for the defined benefit postretirement plans. A 1% change in assumed health care cost trend rates would have the following effects relating to the postretirement plans:

	2018		2017	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
	(In Thousands)			
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	**$ 3,461**	**$ (2,772)**	$ 3,540	$ (2,829)
Effect on the health care component of the accumulated postretirement benefit obligation	**28,838**	**(23,776)**	28,042	(23,171)

The overall expected long-term rate of return of the plan assets is based on the historical returns of each asset class weighted by the target asset allocation. The target asset allocation has been selected consistent with the Health System's desired risk and return characteristics. The Health System's independent consulting actuaries review the expected long-term rate periodically and, based on the building block approach, updated the rate for changes in the marketplace. The market conditions in 2018 and 2017 and changes in the pension asset allocations were considered in the Health System's evaluation of the expected long-term rate of return assumption.

Plan Assets

The Pension Plans have separate asset allocation targets. The overall objectives of the investment policies are to produce an asset allocation that will generate return annually in order to meet the expense and income needs and provide for sufficient annual asset growth. Funds are invested with a long-term return objective.

9. Benefit Plans (continued)

The Pension Plans' asset allocations (combined) at December 31, 2018 and 2017, by asset category, are as follows:

	2018	2017	Target Allocation
Equity securities and real estate	**72.9%**	75.0%	35%–65%
Fixed income investments and cash	**22.0**	20.1	35%–65%
Alternative investments	**5.1**	4.9	0%–10%
Hedge funds	**0.0**	0.0	0%–10%
	100.0%	100.0%	

Defined benefit pension plan assets are carried at fair value and generally consist of fixed income securities issued or guaranteed by government agencies, money market funds, mutual funds, fixed income securities issued by corporations, equity securities, common collective funds and alternative investments. Common collective funds and alternative investments funds are stated at fair value based upon, as a practical expedient, net asset values derived from the application of the equity method of accounting. Refer to Note 11 for additional fair value measurement information related to the defined benefit plan asset categories noted in the table above.

The measurement dates used to determine defined benefit pension and postretirement plan costs were December 31, 2018 and 2017.

During the year ending December 31, 2019, the Health System expects to contribute approximately $17.8 million and $7.0 million to the Pension Plans and Postretirement Plans, respectively.

9. Benefit Plans (continued)

Expected benefit payments by year as of December 31, 2018, follow:

	Pension Plans	Postretirement Plans
	(*In Thousands*)	
2019	$ 33,816	$ 7,013
2020	33,226	7,651
2021	31,717	8,185
2022	25,165	8,690
2023	31,945	9,202
2024–2028	152,859	54,052

10. Contingencies and Other

Litigation

Claims have been asserted against the Health System by various claimants arising out of the normal course of its operations. The claims are in various stages of processing and some may ultimately be brought to trial. Also, there are known incidents occurring through December 31, 2018 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. Health System management and counsel are unable to conclude about the ultimate outcome of the actions. However, it is the opinion of Health System management, based on prior experience that adequate insurance is maintained and adequate provisions for professional liabilities, where applicable, have been established to cover all significant losses and that the eventual liability, if any, will not have a material adverse effect on the Health System's consolidated financial position.

Professional and Other Insured Liabilities

The Medical Center participates in the Federation of Jewish Philanthropies (FOJP), which is a pooled insurance program for professional and general liabilities with certain other health care facilities (the FOJP Program). Participation in this occurrence basis insurance program is through captive and commercial insurance companies.

10. Contingencies and Other (continued)

Effective January 1, 2018, the Montefiore Medicine Academic Health System Self Insurance Trust (MMAHS Trust) was established to provide coverage in excess of FOJP Program limits. MMAHS is the sole member of the MMAHS Trust. Currently, only the Medical Center participates in the MMAHS Trust. As of December 31, 2018, the Medical Center recorded its net share of the irrevocable MMHAS Trust which consists of cash and investments of $7.6 million on behalf of the Medical Center, a receivable from the Medical Center of $60.8 million and had actuarially determined liabilities of approximately $67.0 million. Such amount is recorded within other noncurrent assets in the consolidated statement of financial position.

The Medical Center's malpractice insurance programs offer a deferred premium arrangement in which 36% of the annual premium is paid in the current year and the balance is payable over four years. Total liabilities associated with the FOJP Program were approximately $115.1 million and $191.6 million at December 31, 2018 and 2017, respectively. Total liabilities associated with the MMAHS Trust were approximately $64.4 million at December 31, 2018. The liabilities principally relate to the deferred premium arrangement, the participating hospitals' guarantee of certain investment returns of the captive companies and retroactive premium adjustments.

As of December 31, 2018, the Medical Center retained ownership interests of 25% in three captive insurance companies affiliated with the FOJP Program. The Medical Center has recognized its allocated share of the program's accumulated surplus using the equity method of accounting. Such amounts (approximately $173.3 million and $166.6 million at December 31, 2018 and 2017, respectively) are included in other noncurrent assets in the accompanying consolidated statements of financial position. In December 2017, one of the captive insurance companies declared a dividend of approximately $54.0 million to be distributed based on each owner's respective ownership interest. As a result, the Medical Center recorded a dividend receivable of approximately $13.5 million which is recorded within other receivables in the accompanying consolidated statement of financial position as of December 31, 2017.

The Medical Center has recognized estimated insurance claims receivable and estimated insurance claims liabilities of approximately $481.0 million (approximately $86.6 million current and $394.4 million long-term) and approximately $540.6 million (approximately $81.1 million current and $459.5 million long-term) at December 31, 2018 and 2017, respectively. Such amounts represent the actuarially determined present value, discounted at approximately 4.0% and 4.9% at December 31, 2018 and 2017, respectively, of insurance claims that are anticipated to be covered by insurance. The amounts reported in the December 31, 2018 and 2017, consolidated statements of financial position for estimated insurance claims receivable and estimated insurance claims liabilities reflect the financial impact of the Medical Center's employed physicians.

10. Contingencies and Other (continued)

In February 2014, the FOJP program and the various affiliated captive insurance companies began an internal investigation into several insurance regulatory and related matters that had come to the attention of the FOJP companies' management. The FOJP Companies and legal counsel reported the preliminary investigative findings to the New York State Department of Financial Services (DFS), the primary State insurance regulator throughout the investigation. DFS also conducted its own investigation of the issues that were raised and related matters. During 2017, the FOJP companies and DFS resolved the outstanding matters through an agreed stipulation which did not have a material effect on the Health System's consolidated financial statements.

The Medical Center guarantees a certain level of investment return of the captive insurance companies and may be required to fund shortfalls resulting from differences between guaranteed and actual investment returns. To the extent that the actual investment returns exceed the guaranteed return, liabilities from prior shortfalls may be forgiven. Such amounts are recorded as malpractice insurance program adjustments in the consolidated statements of operations.

During the years ended December 31, 2018 and 2017, the Health System recorded approximately $49.4 million and $1.2 million, respectively, of positive malpractice insurance program adjustments. Approximately $30.8 million of the 2018 adjustment related to retroactive premium adjustments. Approximately $18.6 million of the 2018 adjustment and all of the 2017 adjustment related to a net reduction in the amount owed for the guarantee of certain investment returns of the captive insurance companies.

The cumulative amounts owed for the guarantee of investment returns of the captive insurance companies are reflected in accounts payable and accrued expenses (none at December 31, 2018 and approximately $8.3 million at December 31, 2018 and 2017, respectively) and professional and other insured liabilities (none at December 31, 2018 and approximately $8.4 million as of December 31, 2017) in the accompanying consolidated statements of financial position.

On November 27, 2018, Mount Sinai Health System, Beth Israel Medical Center, Maimonides Medical Center and the Medical Center, collectively the owners of Hospitals Insurance Company (HIC) and FOJP, announced their agreement to sell HIC and FOJP to The Doctors Company for $650 million, subject to closing adjustments. The transaction is subject to regulatory approvals and is expected to close in 2019. HIC has provided the hospitals and related physicians with medical malpractice insurance for 40 years. The hospitals will share in the proceeds ratably according to their ownership.

10. Contingencies and Other (continued)

Nyack Insurance Liabilities

Through December 31, 2017, Nyack was self-insured for medical malpractice claims. Effective January 1, 2018, Nyack participates in the FOJP Program. The policy with the FOJP Program provides coverage on a claims made basis up to $10.0 million per claim and $20.0 million in aggregate with a retroactive date for unreported claims to March 1, 2007.

The estimated malpractice liability at December 31, 2018 and 2017 is based upon an actuarial valuation of the estimated effect of probable loss contingencies, including provisions for known and unknown incidents incurred but not yet reported. Accrued malpractice losses have been discounted at 2.5% at December 31, 2018 and 2017 and, in management's opinion in consultation with an independent actuary, provide an adequate reserve for loss contingencies. Malpractice liabilities are discounted based on the expected timing of the actuarially estimated future payments under the program.

The estimated malpractice liabilities recorded at December 31, 2018 and 2017, is approximately $11.1 million and $10.7 million, respectively, and is recorded within professional and other insured liabilities in the consolidated statements of financial position. The related insurance recoveries receivable of approximately $6.1 million and $600,000 as of December 31, 2018 and 2017, respectively, is recorded within estimated insurance claims receivable, current portion in the consolidated statements of financial position.

White Plains Insurance Liabilities

Effective July 1, 1986, White Plains purchased primary insurance on an occurrence basis and provided for potential losses in excess of primary coverage through a combination of self-insurance and purchased excess insurance on a claims-made basis. Effective November 15, 1998, White Plains and certain other members of Stellaris Health Network (Stellaris) participated in a combined insurance program that provides coverage through purchased primary and excess insurance on a claims-made basis. Effective January 1, 2004, White Plains purchased excess professional liability insurance above its primary placement layer, on a claims-made basis, from a captive insurance company previously formed by Stellaris, NWLP Insurance Company Ltd. (NWLP).

10. Contingencies and Other (continued)

Effective June 30, 2014, NWLP implemented a segregated "cell captive" structure which replaced the previous insurance structure. Under this program, NWLP utilized individual cells for each participating hospital, under which invested assets and insurance-related liabilities were segregated for each participant and there was no shared risk among the entities.

Effective for claims incurred on or subsequent to July 1, 2015, White Plains participates in the FOJP Program. Exposure for claims incurred prior to July 1, 2015 and reported after the expiration of an extended reporting period provided under White Plains' prior policies is retained by White Plains.

Based on actuarially determined estimates that incorporate White Plains' past experience, as well as industry experience, including the nature of each claim or incident and relevant trend factors, management has recorded undiscounted, estimated professional liabilities for asserted claims and loss development estimates and incurred but not reported tail liabilities of approximately $15.0 million and $11.6 million as of December 31, 2018 and 2017, respectively. Estimated professional liabilities include approximately $31.4 million and $32.1 million as of December 31, 2018 and 2017, respectively, related to claims covered under the insurance programs described above. A corresponding estimated insurance recovery related to such claims is included in the accompanying consolidated statements of financial position. The current portion of the professional liabilities and the related insurance recoveries receivable represent an estimate of expected settlements and insurance recoveries over the next twelve months.

St. Luke's Insurance Liabilities

Prior to November 1, 2016, Physicians' Reciprocal Insurers Company and Coverys insured St. Luke's for professional liability on a claims-made basis. St. Luke's maintained professional liability insurance of $1.0 million per claim and $6.0 million in the aggregate. St. Luke's also maintained a first layer of excess professional liability coverage of $1.0 million per claim and $1.0 million in the aggregate through SLCH Insurance, a second layer of excess professional liability coverage of $10.0 million per claim and $10.0 million in the aggregate through Lexington Insurance Company (AIG), and a third layer of excess coverage of $5.0 million per claim and $5.0 million in the aggregate through CNA Insurance Company (CNA).

10. Contingencies and Other (continued)

Effective November 1, 2016, St. Luke's participates in the FOJP Program.

At December 31, 2018 and 2017, St. Luke's did not have any asserted claims exceeding its coverage. At December 31, 2018 and 2017, St. Luke's recorded an estimate for malpractice claims incurred but not reported of approximately $4.4 million and $3.2 million, respectively, based on a discount rate of 3.0%, and an estimated insurance recovery receivable and insurance claim liability related to professional liabilities of approximately $16.9 million and $13.4 million, respectively.

Albert Einstein College of Medicine, Inc. (Einstein)

In 2015, Einstein, a controlled member of MMAHS, acquired substantially all of the assets and assumed substantially all of the liabilities of a medical school previously operating as a division of Yeshiva University (YU). In connection with this transaction $175.0 million Build NYC Resource Corporation Revenue Bonds were issued. The Build NYC Resource Corporation Revenue Bonds carry a 5.50% coupon rate and mature on September 1, 2045. Interest is payable semiannually and principal is payable annually commencing on September 1, 2020.

In addition, in 2015, Einstein issued to YU a promissory note (the Note) under which it was obligated to pay to YU twenty annual payments of $12.5 million beginning September 2017, followed by a final, twenty-first payment of $20.0 million in September 2037. Pursuant to a guaranty agreement (Guaranty Agreement), the Medical Center guaranteed Einstein's obligation to make payments under the Note. If the Medical Center was required to make payments under the Guaranty Agreement, Einstein would have been obligated to repay the Medical Center, in full, over five years with interest. The Medical Center's right to repayment was subordinate in certain respects to Einstein's obligation to make payments on the Build NYC Resource Corporation Revenue Bonds.

In April 2017, the Note was cancelled and exchanged with three Replacement Negotiable Promissory Notes (the Replacement Notes) in the total principal amount of $162.2 million. The Replacement Notes carry interest rates ranging from 4.52% to 5.74% effective March 17, 2017. The Guaranty Agreement was amended to cover payments made by Einstein under the Replacement Notes. On May 1, 2017, the aggregate amounts payable by Einstein under the Replacement Notes were amended to $3.8 million in 2017, with annual payments of $8.3 million from 2018 to 2020, $36.0 million in 2021, $12.5 million from 2022 to 2036, followed by a final payment of $20.0 million in 2037.

10. Contingencies and Other (continued)

During 2018 and 2017, approximately $4.2 million and $1.5 million, respectively, was paid by the Medical Center on Einstein's behalf pursuant to the Guaranty Agreement, as amended. During 2018, the Medical Center forgave the amounts owed from Einstein of approximately $5.5 million under this agreement, which was recorded within transfers to members, net in the consolidated statements of operations.

The Medical Center has an agreement to provide operating subsidies to Einstein over a five-year period commencing September 2015 in an aggregate amount of up to $80.0 million. The Medical Center will provide this subsidy in varying amounts to be funded upon the receipt and approval of documentation of unreimbursed research expenses incurred. The subsidy will total an amount not to exceed $10.0 million per year in each of the first two years, and not to exceed $20.0 million per year in each of the third, fourth and fifth years (see Note 14).

The Medical Center has also agreed to provide loans to Einstein in an aggregate amount of up to $75.0 million as necessary to allow it to meet its cash flow requirements. The first loan was funded in 2017 in the amount of $35.0 million. The loan was secured by a subordinate mortgage on certain of Einstein's real property. During 2018, the Medical Center reserved the amounts owed from Einstein of approximately $36.8 million under this agreement, which was recorded within transfers to members, net in the consolidated statements of operations.

In March 2018, the Medical Center entered into a commitment to provide financial support, including working capital and bridge financing, as necessary, to Einstein in order for Einstein to meet its operational needs. During 2018, the Medical Center provided approximately $33.0 million to Einstein which was recorded within transfers to members, net in the consolidated statements of operations.

Other

At December 31, 2018 and 2017, approximately 56% and 57%, respectively, of the Health System's employees were covered by collective bargaining agreements. The Medical Center, MNR, MMV and SECC entered into collective bargaining agreements with NYSNA which expired in December 2018. New contracts are currently being negotiated. For the duration of the negotiations, NYSNA employees are being compensated under the terms of the previous contracts. Nyack's contract with NYSNA is effective through June 30, 2019. The Medical Center, MNR, MMV, SECC's and St. Luke's collective bargaining agreements with 1199SEIU expire in September 2021. Nyack's and White Plains' contracts with 1199SEIU expire on April 30, 2019.

10. Contingencies and Other (continued)

In connection with agreements entered into between HIPA, MIPA and several health insurance companies, the Medical Center has agreed to guarantee the performance and payment of certain hospital, physician and administrative services.

In September 2018, the Health System entered into a commitment to loan up to $12.5 million to St. John's Riverside Hospital (SJRH) to support its working capital and operational needs. No amounts have been loaned at December 31, 2018. SJRH and the Health System currently have a clinical affiliation. In August 2018, SJRH's board voted to begin exclusive negotiations to join the Health System.

11. Fair Value Measurements

For assets and liabilities required to be measured at fair value, the Health System measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Health System's perspective.

The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

The Health System follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

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

Level 3: Unobservable inputs are used when little or no market data is available.

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

11. Fair Value Measurements (continued)

Financial assets carried at fair value, including assets invested in the Health System's defined benefit pension plans, are classified in the table below in one of the three categories described above as of December 31, 2018:

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
		(In Thousands)		
Assets				
Cash and cash equivalents	**$ 392,270**	**$ –**	**$ –**	**$ 392,270**
Managed cash and cash equivalents held for investment	**433,034**	**–**	**–**	**433,034**
Marketable and other securities:				
Non-equity mutual funds	**128,111**	**–**	**–**	**128,111**
Equity mutual funds	**50,042**	**–**	**–**	**50,042**
U.S. Government agency mortgage-backed securities	**–**	**39,513**	**–**	**39,513**
U.S. Treasury securities	**44,702**	**–**	**–**	**44,702**
U.S. Government agency-backed securities	**–**	**35,330**	**–**	**35,330**
Equity securities	**76,208**	**–**	**–**	**76,208**
Corporate debt	**–**	**795,772**	**–**	**795,772**
Investment contracts	**–**	**1,953**	**–**	**1,953**
Interest and other receivables	**2,521**	**–**	**–**	**2,521**
	1,126,888	**872,568**	**–**	**1,999,456**
Defined benefit pension plan assets				
Cash and cash equivalents	**6,280**	**–**	**–**	**6,280**
Equity mutual funds	**112,304**	**–**	**–**	**112,304**
Non-equity mutual funds	**153,079**	**–**	**–**	**153,079**
Redemption receivable	**4,566**	**–**	**–**	**4,566**
Investment contracts	**–**	**2,480**	**–**	**2,480**
	276,229	**2,480**	**–**	**278,709**
	$ 1,403,117	**$ 875,048**	**$ –**	**2,278,165**
Investments measured at net asset value (defined benefit pension plan assets)				**42,069**
				$ 2,320,234

11. Fair Value Measurements (continued)

Financial assets carried at fair value, including assets invested in the Health System's defined benefit pension plans, are classified in the table below in one of the three categories described above as of December 31, 2017:

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
		(In Thousands)		
Assets				
Cash and cash equivalents	$ 398,237	$ –	$ –	$ 398,237
Managed cash and cash equivalents held for investment	72,570	–	–	72,570
Marketable and other securities:				
Non-equity mutual funds	215,905	–	–	215,905
Equity mutual funds	52,540	–	–	52,540
U.S. Government agency mortgage-backed securities	–	51,771	–	51,771
U.S. Treasury securities	126,648	–	–	126,648
U.S. Government agency-backed securities	–	26,764	–	26,764
Equity securities	107,234	–	–	107,234
Corporate debt	–	266,888	–	266,888
Investment contracts	–	2,146	–	2,146
Interest and other receivables	1,307	–	–	1,307
	974,441	347,569	–	1,322,010
Defined benefit pension plan assets				
Cash and cash equivalents	5,962	–	–	5,962
Equity mutual funds	135,151	–	–	135,151
Non-equity mutual funds	95,919	–	–	95,919
Investment contracts	–	2,406	–	2,406
	237,032	2,406	–	239,438
	$ 1,211,473	$ 349,975	$ –	1,561,448
Investments measured at net asset value (defined benefit pension plan assets)				110,156
				$ 1,671,604

11. Fair Value Measurements (continued)

At December 31, 2018 and 2017, the Health System's alternative investments and collective trusts, excluding those within the defined benefit plans, are reported using the equity method of accounting in the amount of approximately $136.1 million and $181.6 million, respectively, and, therefore, are not included in the tables above.

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

The carrying values and fair values of the Health System's financial instruments that are not required to be carried at fair value are as follows at December 31:

	2018		2017	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
	(In Thousands)			
Long-term debt	**$ 1,557,501**	**$ 1,530,930**	$ 921,367	$ 927,052

The fair value of the Health System's bonds payable is based on quoted market prices for the related bonds. The fair value of other debt is based upon discounted cash flow analyses, using estimated borrowing rates for similar types of debt. Fair value of bonds payable is classified as Level 1, while fair value of other debt is classified as Level 2.

12. Concentration of Credit Risk

At December 31, 2018 and 2017, excluding investments in bond mutual funds, approximately 6% and 14%, respectively, of the Health System's marketable securities were issued by either the United States Government or its agencies.

At December 31, 2018 and 2017, significant concentrations of receivables for patient care include approximately 10% and 9% from Medicaid, 20% and 19% from Medicare and 62% and 68% from commercial and managed care organizations, respectively, of which no individual commercial or managed care organization equaled 10% or greater.

Net patient service revenue from the Medicare and Medicare managed care programs accounted for approximately 35% and 33%, and net patient service revenue from the Medicaid and Medicaid managed care programs accounted for approximately 29% and 31% of the Health System's net patient service revenue for the years ended December 31, 2018 and 2017, respectively. No other specific payer exceeded 10% of net patient service revenue.

13. Other Revenue

Other revenue included in the consolidated statements of operations for the years ended December 31, 2018 and 2017 consisted of the following:

	2018	2017
	(In Thousands)	
Patient care quality incentive revenue	**$ 54,345**	$ 47,142
DSRIP revenue	**48,709**	44,923
Equity earnings from investments	**45,993**	34,197
Interest and dividend income	**30,332**	12,869
Staff housing and other rental income	**17,133**	18,840
Continuing Medical Education programs	**13,321**	14,459
Cafeteria revenue	**11,772**	4,837
Shared savings programs	**11,060**	1,399
Government Electronic Health Record Incentive Program	**10,142**	5,004
Gain on sales of property, buildings and equipment	**9,349**	2,360
Care management administrative fees	**9,222**	9,567
Parking revenue	**8,720**	7,965
Information system services	**7,925**	8,028
Net assets released from restrictions used for operations	**7,631**	5,426
Net realized and changes in unrealized gains and losses on employee deferred compensation plan assets	**(3,237)**	6,557
All other	**36,490**	35,119
	$ 318,907	$ 258,692

For the years ended December 31, 2018 and 2017, approximately $54.3 million and $47.1 million was recognized by the Health System related to several agreements under which insurance companies provide for additional revenue when certain patient care quality, compliance and patient satisfaction metrics are met. Due to the inherent uncertainty on timing and finalization of annual results of the patient care quality incentive programs, amounts are recorded by the Health System when received.

13. Other Revenue (continued)

New York State distributes federally-funded amounts through a payment mechanism referred to as the Delivery System Reform Incentive Payment (DSRIP) program. The DSRIP program is a five-year program intended to promote community-level collaborations to focus on health system reform and enhance the value provided by the health care system. DSRIP funding is available to certain hospitals and providers participating in networks (referred to as Performing Provider Systems, PPS) that are able to establish performance improvement activities in certain predefined clinical improvement areas. The PPS that the Medical Center coordinates has submitted plans for clinical improvement projects in order to be eligible for payments under the DSRIP program. The Health System received approximately $43.4 million and $52.3 million during 2018 and 2017, respectively, and recorded approximately $48.7 million and $44.9 million, respectively, in other revenue during the years ended December 31, 2018 and 2017 for amounts received under the DSRIP program. Certain payments under the DSRIP program are subject to meeting specified performance criteria and other requirements which may be evaluated in future periods.

14. Related-Party Transactions

At December 31, 2018 and 2017, amounts due from (to) members, net were comprised of the following:

	December 31	
	2018	**2017**
	(In Thousands)	
Due from members:		
Albert Einstein College of Medicine, Inc.[(a)]	**$ 100**	$ 36,163
Due to members, net:		
Albert Einstein College of Medicine, Inc.[(a)]	**$ (3,000)**	$ 2,818
MMAHS[(b)]	**(13,846)**	(7,515)
Montefiore Innovations, Inc.	**(1,819)**	–
Due to members, net	**$ (18,665)**	$ (4,697)

[(a)] Transactions between Einstein and the Health System relate to costs for clinical training, research, professional services and related supporting services (at cost). The Medical Center has agreed to provide loans to Einstein in an aggregate amount of up to $75.0 million as necessary to allow it to meet its cash flow requirements. The first loan

14. Related-Party Transactions (continued)

was funded in 2017 in the amount of $35.0 million. During 2018 and 2017, the Medical Center reserved amounts owed from Einstein of approximately $42.3 million and $4.8 million, respectively, recorded within transfers to members, net in the consolidated statements of operations. During 2018 and 2017, the Medical Center also made capital contributions of approximately $20.0 million and $14.4 million, respectively, to Einstein in accordance with an agreement to provide operating subsidies to Einstein over a five-year period (see Note 10).

(b) The Health System purchases various management, administrative and staffing services from MMAHS. For the years ended December 31, 2018 and 2017, transactions charged (at cost) by MMAHS to the Health System were approximately $34.2 million and $23.4 million, respectively, comprised of payroll and benefits charges.

During the years ended December 31, 2018 and 2017, the Medical Center's performing provider system (PPS), MHVC, received approximately $70.3 million and $68.4 million in DSRIP Value Based Payment Quality Improvement Program (VBP QIP) funding, which was distributed to MNR, MMV, Nyack and St. Luke's. VBP QIP was created by New York State to provide financially distressed hospitals and the PPSs with which they are associated the opportunity to collaborate with Medicaid managed care organizations for the successful implementation of VBP contracts as a means toward long-term financial sustainability.

15. Subsequent Events

The Health System evaluated subsequent events through April 12, 2019, which is the date the consolidated financial statements were issued, for potential recognition or disclosure in the accompanying consolidated financial statements for the year ended December 31, 2018. No events occurred that require disclosure in or adjustment to the consolidated financial statements.

Supplementary Information

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

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

Building a better working world

Report of Independent Auditors on Supplementary Information

The Board of Trustees
Montefiore Health System, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Montefiore Health System, Inc. and its controlled organizations, as of and for the years ended December 31, 2018 and 2017, and have issued an unmodified opinion thereon dated April 12, 2019. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statement of financial position as of December 31, 2018 and consolidating statement of operations for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

April 12, 2019

Montefiore Health System, Inc.

Consolidating Statement of Financial Position
(In Thousands)

December 31, 2018

	Montefiore Medical Center and Subsidiaries	Montefiore New Rochelle Hospital	Montefiore Mount Vernon Hospital	Schaffer Extended Care Center	Montefiore Information Technology, LLC	Montefiore HMO, LLC	Hudson Valley IPA, Inc.	The Montefiore IPA, Inc.	Bronx Accountable Healthcare Network IPA, Inc.	Montefiore Nyack Hospital and Subsidiaries	White Plains Hospital Center and Subsidiaries	The Winfred Masterson Burke Rehabilitation Hospital	St. Luke's Cornwall Hospital and Subsidiaries	St. Luke's Cornwall Health System Foundation, Inc.	Other Consolidating Entities	Montefiore Health System, Inc.	Eliminations	Consolidated Total
Assets																		
Current assets:																		
Cash and cash equivalents	$ 184,019	$ 2,569	$ 2,958	$ 282	$ 703	$ 39,563	$ 1,008	$ 18,733	$ 18,597	$ 1,750	$ 84,089	$ 9,214	$ 10,634	$ 748	$ 8,226	$ 9,177	$ –	$ 392,270
Marketable and other securities	1,355,526	–	–	–	–	–	–	24,452	–	–	69,348	–	10,931	625	–	–	–	1,460,882
Assets limited as to use, current portion	10,930	–	–	66	–	–	–	40,202	–	1	–	–	1,575	–	–	–	–	52,774
Receivables for patient care, net	231,548	12,939	5,705	5,498	–	–	–	–	–	33,950	82,386	13,674	26,355	–	187	–	–	412,242
Other receivables	44,007	2,388	294	32	463	55	55	13,366	–	9,029	5,361	1,108	1,769	–	5,890	–	(76)	83,741
Estimated insurance claims receivable, current portion	86,575	5,487	3,390	280	–	–	–	–	–	6,100	7,206	–	–	–	–	–	–	109,038
Other current assets	68,014	3,358	1,887	141	562	–	–	110	–	5,520	17,107	1,723	5,673	13	257	709	–	105,074
Due from members, current portion	25,861	–	–	–	21,195	1,225	–	–	–	–	–	–	493	–	22,949	31,520	(103,243)	–
Total current assets	2,006,480	26,741	14,234	6,299	22,923	40,843	1,063	96,863	18,597	56,350	265,497	25,719	57,430	1,386	37,509	41,406	(103,318)	2,616,021
Assets limited as to use, net of current portion	153,938	15,332	–	–	–	3,969	–	–	–	2,264	20,254	31,447	2,428	–	–	–	–	229,632
Property, buildings and equipment, net	1,017,751	46,405	11,861	3,376	51	–	–	–	–	63,362	388,471	41,399	67,406	–	45,548	–	–	1,685,630
Estimated insurance claims receivable, net of current portion	394,399	24,994	15,442	1,275	–	–	–	–	–	–	24,209	–	9,884	–	–	–	–	470,203
Other noncurrent assets	215,213	150	–	–	–	–	–	–	–	7,549	45,292	20,790	11,908	75	92,243	541,394	(541,394)	393,220
Due from members, net of current portion	129,487	–	–	–	–	–	–	–	–	–	–	–	–	–	–	92,938	(222,325)	100
Total assets	$ 3,917,268	$ 113,622	$ 41,537	$ 10,950	$ 22,974	$ 44,812	$ 1,063	$ 96,863	$ 18,597	$ 129,525	$ 743,723	$ 119,355	$ 149,056	$ 1,461	$ 175,300	$ 675,738	$ (867,038)	$ 5,394,806
Liabilities and net assets (deficit)																		
Current liabilities:																		
Accounts payable and accrued expenses	$ 305,583	$ 9,095	$ 4,336	$ 427	$ 903	$ 13,614	$ 1,255	$ 70,494	$ 19,157	$ 29,797	$ 76,611	$ 1,445	$ 34,931	$ 28	$ 28,098	$ 2,046	$ (1,262)	$ 596,558
Accrued salaries, wages and related items	270,386	7,725	3,718	1,145	18,867	–	–	–	–	16,839	62,437	4,160	5,672	–	2,065	5,036	–	398,050
Professional and other insured liabilities, current portion	61,989	1,740	245	–	–	–	–	–	–	2,000	1,268	395	–	–	–	–	–	67,637
Estimated insurance claims liabilities, current portion	86,575	5,487	3,390	280	–	–	–	–	–	–	8,276	–	–	–	–	–	–	104,008
Estimated third-party payer liabilities, current portion	33,334	32,478	14,118	708	–	–	–	–	–	3,954	2,950	–	–	–	–	–	–	87,542
Long-term debt, current portion	17,195	–	–	–	–	–	–	–	–	14,966	14,093	2,667	3,375	–	–	–	–	52,296
Due to members, current portion	–	12,389	6,211	23,556	–	–	1,028	45,200	23,708	25,926	1,652	987	–	76	3,974	–	(126,042)	18,665
Total current liabilities	775,062	68,914	32,018	26,116	19,770	13,614	2,283	115,694	42,865	93,482	167,287	9,654	43,978	104	34,137	7,082	(127,304)	1,324,756
Long-term debt, net of current portion	1,380,505	–	–	–	–	–	–	–	–	2,855	30,520	–	40,520	–	–	–	–	1,454,400
Noncurrent defined benefit pension and other postretirement health plan liabilities	190,279	1,037	51	12	–	–	–	–	–	8,606	23,596	56,752	15,056	–	–	–	–	295,389
Professional and other insured liabilities, net of current portion	117,454	2,763	449	–	–	–	–	–	–	3,000	–	2,062	4,972	–	–	–	–	130,700
Employee deferred compensation	46,329	–	–	–	–	–	–	–	–	–	7,540	–	–	–	–	–	–	53,869
Estimated insurance claims liabilities, net of current portion	394,399	24,994	15,442	1,275	–	–	–	–	–	6,100	36,856	–	9,884	–	–	–	–	488,950
Estimated third-party payer liabilities, net of current portion	211,014	2,894	2,356	–	–	–	–	–	–	1,235	7,191	–	314	–	–	–	–	225,004
Other noncurrent liabilities	62,523	6	1	75	33	–	–	–	–	5,240	14,608	–	8,957	–	46,095	–	–	137,538
Due to members, net of current portion	–	25,951	14,560	5,823	–	7,715	–	–	–	–	–	–	–	–	46,604	121,672	(222,325)	–
Total liabilities	3,177,565	126,559	64,877	33,301	19,803	21,329	2,283	115,694	42,865	120,518	287,598	68,468	123,681	104	126,836	128,754	(349,629)	4,110,606
Net assets (deficit):																		
Net assets (deficit) without donor restrictions:																		
Montefiore Health System, Inc.	628,902	(29,265)	(23,340)	(22,351)	3,171	23,483	(1,220)	(18,831)	(24,268)	5,329	436,371	46,434	23,833	598	48,464	520,543	(490,968)	1,126,885
Noncontrolling interest	–	–	–	–	–	–	–	–	–	–	2,986	–	–	–	–	–	–	2,986
Total net assets (deficit) without donor restrictions	628,902	(29,265)	(23,340)	(22,351)	3,171	23,483	(1,220)	(18,831)	(24,268)	5,329	439,357	46,434	23,833	598	48,464	520,543	(490,968)	1,129,871
Net assets with donor restrictions	110,801	16,328	–	–	–	–	–	–	–	3,678	16,768	4,453	1,542	759	–	26,441	(26,441)	154,329
Total net assets (deficit)	739,703	(12,937)	(23,340)	(22,351)	3,171	23,483	(1,220)	(18,831)	(24,268)	9,007	456,125	50,887	25,375	1,357	48,464	546,984	(517,409)	1,284,200
Total liabilities and net assets (deficit)	$ 3,917,268	$ 113,622	$ 41,537	$ 10,950	$ 22,974	$ 44,812	$ 1,063	$ 96,863	$ 18,597	$ 129,525	$ 743,723	$ 119,355	$ 149,056	$ 1,461	$ 175,300	$ 675,738	$ (867,038)	$ 5,394,806

Montefiore Health System, Inc.

Consolidating Statement of Operations
(In Thousands)

Year Ended December 31, 2018

	Montefiore Medical Center and Subsidiaries	Montefiore New Rochelle Hospital	Montefiore Mount Vernon Hospital	Schaffer Extended Care Center	Montefiore Information Technology, LLC	Montefiore HMO, LLC	Hudson Valley IPA, Inc.	The Montefiore IPA, Inc.	Bronx Accountable Healthcare Network IPA, Inc.	Montefiore Nyack Hospital and Subsidiaries	White Plains Hospital Center and Subsidiaries	The Winfred Masterson Burke Rehabilitation Hospital	St. Luke's Cornwall Hospital and Subsidiaries	St. Luke's Cornwall Health System Foundation, Inc.	Other Consolidating Entities	Montefiore Health System, Inc.	Eliminations	Consolidated Total
Operating revenue																		
Net patient service revenue	$ 3,499,992	$ 145,981	$ 67,053	$ 15,435	$ –	$ 85,487	$ 6,521	$ 611,735	$ –	$ 256,618	$ 716,366	$ 87,749	$ 210,668	$ –	$ 2,811	$ –	$ (247,964)	$ 5,458,452
Grants and contracts	87,361	3,696	315	–	–	–	–	–	–	749	–	–	95	–	20,706	–	–	112,922
Contributions	10,081	46	61	1	–	–	–	–	–	498	2,204	452	354	857	–	–	–	14,554
Other revenue	318,908	5,797	2,931	180	126,968	1,682	–	2,137	11,209	3,110	13,281	8,537	6,295	359	17,942	105,769	(306,198)	318,907
Total operating revenue	3,916,342	155,520	70,360	15,616	126,968	87,169	6,521	613,872	11,209	260,975	731,851	96,738	217,412	1,216	41,459	105,769	(554,162)	5,904,835
Operating expenses																		
Salaries and wages	1,849,552	81,330	38,971	8,745	86,006	–	–	–	–	130,384	339,828	49,942	78,736	166	14,963	13,837	–	2,692,460
Employee benefits	528,011	23,491	11,871	3,272	26,332	–	–	–	–	43,110	69,797	13,740	30,084	40	4,489	4,637	–	758,874
Supplies and other expenses	1,338,110	64,132	40,460	8,228	17,452	79,464	7,741	613,430	12,581	110,037	248,587	21,837	110,165	758	8,667	7,368	(481,197)	2,207,820
Depreciation and amortization	150,151	3,247	1,768	342	102	–	–	–	–	7,816	36,074	4,053	5,628	–	1,776	–	–	210,957
Interest	48,585	2,006	788	416	–	391	–	51	1	1,302	2,071	126	2,619	–	3,465	6,571	(12,970)	55,422
Total operating expenses	3,914,409	174,206	93,858	21,003	129,892	79,855	7,741	613,481	12,582	292,649	696,357	89,698	227,232	964	33,360	32,413	(494,167)	5,925,533
Excess (deficiency) of operating revenue over operating expenses before Value Based Payment and Vital Access Provider Programs	1,933	(18,686)	(23,498)	(5,387)	(2,924)	7,314	(1,220)	391	(1,373)	(31,674)	35,494	7,040	(9,820)	252	8,099	73,356	(59,995)	(20,698)
Value Based Payment and Vital Access Provider Programs	–	19,756	17,324	–	–	–	–	–	–	17,719	–	–	19,387	–	–	–	–	74,186
Excess (deficiency) of operating revenue over operating expenses before other items	1,933	1,070	(6,174)	(5,387)	(2,924)	7,314	(1,220)	391	(1,373)	(13,955)	35,494	7,040	9,567	252	8,099	73,356	(59,995)	53,488
Net realized and changes in net unrealized gains and losses on marketable and other securities	(14,945)	(1,653)	–	–	–	–	–	(992)	–	18	(3,068)	(1,105)	(824)	–	–	–	–	(22,569)
Net periodic pension and other postretirement benefit costs (non-service related)	(11,845)	–	–	–	–	–	–	–	–	935	2,528	(355)	497	–	–	–	–	(8,240)
Malpractice insurance program adjustments	49,354	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	49,354
Grants for the purchase of property, buildings and equipment	–	11,597	–	–	–	–	–	–	–	4,937	–	–	–	–	–	–	–	16,534
Distribution from demutualization	–	–	–	–	–	–	–	–	–	3,857	25,087	–	–	–	–	–	–	28,944
Other nonoperating gains and losses, net	2,134	–	–	–	–	–	–	–	–	–	4,095	–	628	–	–	(185)	–	6,672
Excess (deficiency) of revenues over expenses before noncontrolling interest of joint venture	26,631	11,014	(6,174)	(5,387)	(2,924)	7,314	(1,220)	(601)	(1,373)	(4,208)	64,136	5,580	9,868	252	8,099	73,171	(59,995)	124,183
Income attributable to noncontrolling interest of joint venture	–	–	–	–	–	–	–	–	–	–	(2,986)	–	–	–	–	–	–	(2,986)
Excess (deficiency) of revenues over expenses	26,631	11,014	(6,174)	(5,387)	(2,924)	7,314	(1,220)	(601)	(1,373)	(4,208)	61,150	5,580	9,868	252	8,099	73,171	(59,995)	121,197
Change in defined benefit pension and other postretirement health plan liabilities to be recognized in future periods	9,485	(1,037)	(51)	(12)	–	–	–	–	–	(1,612)	(6,040)	(757)	(982)	–	–	–	–	(1,006)
Net assets released from restrictions used for purchases of property, buildings and equipment	–	–	–	–	–	–	–	–	–	90	6,805	417	–	–	–	–	–	7,312
Transfers to members, net	(139,963)	–	–	–	–	–	–	183	–	–	3,205	–	–	346	39,999	2,524	(3,205)	(96,911)
(Decrease) increase in net assets without donor restrictions	$ (103,847)	$ 9,977	$ (6,225)	$ (5,399)	$ (2,924)	$ 7,314	$ (1,220)	$ (418)	$ (1,373)	$ (5,730)	$ 65,120	$ 5,240	$ 8,886	$ 598	$ 48,098	$ 75,695	$ (63,200)	$ 30,592

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APPENDIX C

CERTAIN DEFINITIONS

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APPENDIX C

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement.

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

"Additional Bonds" means Bonds issued under and pursuant to the General Resolution and a Series Resolution in addition to the Series 2020A Bonds to finance or refinance Costs of the Project.

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

"Applicable" means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund, Debt Service Reserve Fund or any other fund, the fund so designated and established by an Applicable Series Resolution authorizing an Applicable Series of Bonds relating to a particular Project(s), (ii) with respect to any Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Bonds by the Applicable Series Resolution or Bond Series Certificate, (iii) with respect to any Series Resolution, the Series Resolution relating to a particular Series of Bonds, (iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for particular Projects, (v) with respect to any Loan Agreement, the Loan Agreement by and between the Authority and any one or more Institutions and the contractual obligations contained therein relating to particular Projects for each such Institution, (vi) with respect to any Institution, the Institution identified in the Applicable Series Resolution, (vii) with respect to a Bond Series Certificate, such certificate authorized pursuant to an Applicable Series Resolution (viii) with respect to any Credit Facility, if any, or Credit Facility Issuer, if any, the Credit Facility or Credit Facility Issuer relating to a particular Series of Bonds and (ix) with respect to a Supplemental Indenture entered into pursuant to and an Obligation authorized to be issued thereunder, the Supplemental Indenture and Obligation issued under the Master Indenture for the purpose of securing an Applicable Series of Bonds.

"Arbitrage Rebate Fund" means each fund so designated and established by the Applicable Series Resolution pursuant to the Resolution with respect to a Series of Tax-Exempt Bonds.

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

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

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

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

Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of such Trustee or the by-laws of such Trustee.

"Bond" or "Bonds" means (i) when used with respect to the Resolution, any of the bonds of the Authority authorized pursuant to the Resolution and issued pursuant to an Applicable Series Resolution, and (ii) when used with respect to the Loan Agreement, means the Series 2020A Bonds.

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

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

"Bond Year" means, with respect to the Series 2020A Bonds, a period of twelve (12) consecutive months beginning September 1 in any calendar year and ending on August 31 of the succeeding calendar year.

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

"Business Day" shall mean any day other than (a) a Saturday and Sunday or (b) a day on which any of the following are authorized or required to remain strong: (i) banks or trust companies chartered by the State of New York or the United States of America, (ii) the Trustee, or (iii) the New York Stock Exchange;

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

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

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

"Cost" or "Costs of Issuance" means the items of expense incurred in connection with the authorization, sale, issuance and delivery of a Series of Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee and any Credit Facility Issuer and Remarketing Agent, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, costs and expenses of refunding such Bonds, commitment fees or similar costs in connection with obtaining any Credit Facility and any Liquidity Facility, Reserve Fund Facility, or interest rate exchange agreement or other hedge instrument, costs and expenses of refunding of other bonds or notes of the Authority with proceeds of such Series including termination fees for any interest rate exchange agreement in connection with such refunding such Bonds and other costs, charges and fees, including those of the Authority, incurred in connection with the foregoing.

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

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

"Counterparty" means any person with which the Authority or an Institution has entered into an Interest Rate Exchange Agreement, provided that, at the time the Interest Rate Exchange Agreement is executed, the senior or uncollateralized long–term debt obligations of such person, or of any person that has guaranteed for the term of the Interest Rate Exchange Agreement the obligations of such person thereunder, are rated, without regard to qualification of such rating by symbols such as "+" or "–" and numerical notation, not lower than in the third highest rating category by each Rating Service.

"Credit Facility" means (i) any municipal bond insurance policy satisfactory to the Authority which insures payment of principal, interest and, if agreed to by the Credit Facility Issuer and the Institution, redemption premium on the Bonds of any Series when due and issued and delivered to the Trustee, (ii) a letter of credit issued by a Credit Facility Issuer with respect to any Series of Bonds or one or more Series of Bonds on the date of issuance of such Series of Bonds or (iii) similar insurance or credit enhancement or guarantee facility if so designated, all in accordance with the Applicable Series Resolution.

"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 Bond or Purchase Price thereof 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 in effect after the date of the Resolution, 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 Bonds for which a Credit Facility is held by the Trustee, the firm, association or corporation, including public bodies and governmental agencies, acceptable to the Authority, which has issued such Credit Facility in connection with such Series of Bonds, and any successors or assigns of the obligations of such firm, association or corporation under such Credit Facility.

"Credit Facility Repayment Fund" means each fund so designated, created and established by the Applicable Series Resolution pursuant to the Resolution.

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

"Debt Service Reserve Fund" means each fund so designated, created and established pursuant to the Resolution and by the Applicable Series Resolution.

"Debt Service Reserve Fund Requirement" means the amount of moneys, if any, required to be on deposit in the Debt Service Reserve Fund, if any, with respect to an Applicable Series of Bonds as determined in accordance with the Applicable Series Resolution or Bond Series Certificate.

"Defeasance Security" means, unless otherwise provided in an Applicable Series Resolution, any of the following: (a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations (other than an obligation subject to variation in principal repayment); Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two Rating Services in the highest rating category for such Exempt Obligation; (without regard to qualification of such rating by symbols such as "+" or "-" and numerical notations) provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

"Department of Health" means the Department of Health of the State of New York.

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

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

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

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

"Federal Agency Obligation" means any of the following: (i) an obligation issued by any federal agency or instrumentality approved by the Authority; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority; (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

"Fitch" means Fitch Ratings, Inc., a corporation organized and existing under the State of New York, and its successors and assigns.

"Government Obligation" means any of the following: (i) a direct obligation of the United States of America; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment of principal and interest by the United States of America; (iii) an obligation to which the full faith and credit of the United States of America are pledged; (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (v) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

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

"Gross Proceeds" means, with respect to any Applicable Series of Tax-Exempt Bonds, unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of such Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Debt Service Reserve Fund, (v) securities or obligations pledged by the Authority or the Institution as security for payment of debt service on such Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on such Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

"Gross Revenues" shall have the meaning accorded such term in the Master Indenture, as amended from time to time.

"Hedge Agreement" means any financial arrangement entered into by the Authority or the Institution with a Counterparty that is an Interest Rate Exchange Agreement, an interest rate cap or collar or other exchange or rate protection transaction, in each case executed for the purpose of moderating interest rate fluctuations, reducing interest cost or creating with respect to any Variable Interest Rate Bond the economic or financial equivalent of a fixed rate of interest on such Bond; provided, however, that no such agreement entered into by the Institution shall constitute a Hedge Agreement for purposes hereof unless a copy thereof has been delivered to the Authority.

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

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

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

floor agreements, interest rate collar agreements and any other interest rate related hedge agreements or arrangements.

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

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

"Loan Agreement" means the Loan Agreement executed by the Authority and any Applicable Institution, or other agreement, by and between the Authority and an Applicable Institution, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by such Loan Agreement.

"Master Indenture" means the Master Trust Indenture by and between Montefiore Medical Center and the Master Trustee as may be amended and supplemented from time to time.

"Master Trustee" means The Bank of New York Mellon, New York, New York, and any successor under the Master Indenture.

"Maximum Interest Rate" means, with respect to any Applicable Series of Variable Interest Rate Bonds, the rate of interest, if any, set forth in the Applicable Series Resolution authorizing such Series of Bonds or Applicable Bond Series Certificate relating thereto as the maximum rate of interest Bonds of such Series may bear at any time.

"Minimum Interest Rate" means, with respect to any Applicable Series of Variable Interest Rate Bonds, the rate of interest, if any, set forth in the Applicable Series Resolution authorizing such Series of Bonds or Applicable Bond Series Certificate relating thereto as the minimum rate of interest Bonds of such Series may bear at any time.

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

"Mortgage" means any of one or more mortgages, dated the date of issuance of the Obligations issued under the Master Indenture and the Applicable Supplemental Indenture granted by the Institution to the Master Trustee to secure such Obligations under the Master Indenture.

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

"Obligation" means an Obligation issued pursuant to the Master Indenture and a Supplemental Indenture to secure indebtedness of a Member of the Obligated Group.

"Obligated Group" means the Montefiore Obligated Group of which Montefiore Medical Center is currently the sole member; and such other organizations as may from time to time be added as members of such

Obligated Group, and excluding such organizations as may from time to time withdraw as members of such Obligated Group, all as provided in the Master Indenture, pursuant to which such Obligated Group was created.

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

"Outstanding" when used in reference to Bonds of any Applicable Series means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under the Applicable Series Resolution except: (i) any such Bond cancelled by the Trustee at or before such date; (ii) any such Bond deemed to have been paid in accordance with the Resolution; (iii) any such Bond in lieu of or in substitution for which another such Bond shall have been authenticated and delivered pursuant to the Resolution; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the Purchase Price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds.

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

"Permitted Collateral" means any of the following: (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations; (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; (iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one Rating Service no lower than in the second highest rating category; (iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least $125,000,000 and is rated by Bests Insurance Guide or a Rating Service in the highest rating category; (v) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one nationally recognized rating organization and having maturities of not longer than three hundred sixty-five (365) days from the date they are pledged; and (vi) taxable bonds, all or a portion of the interest on which is paid by or subsidized by the United States of America and to which the full faith and credit of the United States of America is pledged, including, but not limited to, Build America Bonds that are Qualified Bonds (as such terms are defined in Section 54AA of the Code).

"Permitted Investments" means any of the following: (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State; (v) Collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one Rating Service in at least the second highest rating category, and (b) are fully collateralized by Permitted Collateral; (vi) commercial paper issued by a domestic corporation rated in the highest short term rating category by at least one Rating Service and having maturities of not longer than two hundred seventy (270) days from the date of purchase; (vii) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty-five (365) days from the date they are purchased; (viii) Investment Agreements that are fully collateralized by Permitted Collateral; (ix) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of $1.00 per share and that is rated in the highest short term rating category by at least one Rating Service; (x) taxable bonds, all or a portion of the interest on which is paid by or subsidized by the United

States of America and to which the full faith and credit of the United States of America is pledged, including, but not limited to, Build America Bonds.

"Project" means, any eligible hospital project, nursing home project or other project qualified under the Act or otherwise eligible to be financed by the Authority through the issuance of obligations under the laws of the State of New York, as defined in the Applicable Loan Agreement.

"Provider Payments" means any payments made by a Facility Provider pursuant to its Reserve Fund Facility on deposit in the Applicable Debt Service Reserve Fund.

"Purchase Price" means, except as otherwise set forth in an Applicable Bond Series Certificate, 100% of the principal amount of any Option Bond tendered or deemed tendered for purchase to the tender agent for such Bonds, plus accrued and unpaid interest thereon to the date of purchase; provided, however, that if the date of purchase is an Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the Holder of record on the applicable Record Date.

"Qualified Financial Institution" means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility, Liquidity Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility, Liquidity Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility, Liquidity Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

(v) a corporation whose obligations, including any investments of any money held hereunder purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

"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 Bonds Outstanding as requested by or on behalf of the Authority, and which rating is then currently in effect.

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

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

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

"Remarketing Agent" means the person or entity, appointed by or pursuant to the Applicable Series Resolution authorizing the issuance of a particular Series of Variable Interest Rate Bonds, to remarket such Variable Interest Rate Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or the Applicable Bond Series Certificate relating to such Variable Interest Rate Bonds.

"Remarketing Agreement" means, with respect to a particular Series of Variable Interest Rate Bonds, an agreement between the Authority and the Remarketing Agent, between the Institution and the Remarketing Agent, or among the Authority, the Institution and the Remarketing Agent, relating to the remarketing of such Variable Interest Rate Bonds.

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

"Resolution" means this Montefiore Obligated Group Revenue Bond Resolution, adopted June 20, 2018, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions hereof.

"Revenues" means all payments payable by the Applicable Institution to the Authority pursuant to an Applicable Loan Agreement, and payments made or payable by the Obligated Group to the Authority pursuant to an Applicable Obligation and all amounts realized upon liquidation of collateral securing the Applicable Obligation, which payments and amounts are pledged and assigned by the Resolution to the Trustee by the Authority and pursuant to the Loan Agreement and the Obligation are to be paid to the Trustee (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Applicable Arbitrage Rebate Fund and Applicable Credit Facility Repayment Fund and except as otherwise provided in an Applicable Series Resolution or Applicable Bond Series Certificate relating to a Series of Bonds).

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

"Securities" means (i) moneys, (ii) Government Obligations, (iii) Exempt Obligations, (iv) any bond, debenture, note, preferred stock or other similar obligation of any corporation incorporated in the United States,

which security, at the time an investment therein is made or such security is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or " " or numerical notation, "Aa" or better by Moody's or "AA" or better by S&P or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and (v) with the consent of the Credit Facility Issuers, if any, common stock of any corporation incorporated in the United States of America whose senior debt, if any, at the time an investment in its stock is made or its stock is deposited in any fund or account established hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or " " or numerical notation, "Aa" or better by Moody's or "AA" or better by S&P or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and the Credit Facility Issuers, if any.

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

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

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

"Series 2020A Bonds" means the Authority's Montefiore Obligated Group Revenue Bonds, Series 2020A, issued and Outstanding from time to time.

"Series 2020A Certificate" means the Bond Series Certificate relating to the Montefiore Obligated Group Revenue Bonds, Series 2020A made and executed pursuant to the applicable Series 2020A Resolution.

"Series 2020A Obligation" means the Obligation No. 5 issued pursuant the Master Indenture and the Series 2020A Supplemental Indenture for the benefit of the Authority to secure the Series 2020A Bonds.

"Series 2020A Resolution" means the Series 2020A Resolution Authorizing Up To $420,000,000 Montefiore Obligated Group Revenue Bonds, Series 2020A adopted by the Authority on January 8, 2020, as the same may be amended, supplemented or otherwise modified pursuant to the terms thereof.

"Series 2020A Supplemental Indenture" means the Supplemental Indenture for Obligation No. 5, issued pursuant to the Master Indenture authorizing the issuance by the Obligated Group of such Obligation No. 5.

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

"State" means the State of New York.

"Substitute Credit Facility" means any municipal bond insurance policy, a letter of credit issued by a Credit Facility Issuer or similar credit enhancement or guarantee facility constituting a Credit Facility within the meaning of the Resolution issued and delivered to the Trustee in connection with a particular Series of Bonds and effective upon the expiration or earlier termination of the then existing Credit Facility relating to such Series of Bonds in replacement such existing Credit Facility, all in accordance with the provisions of the Applicable Series Resolution and the Applicable Bond Series Certificate.

"Supplemental Indenture" means any Supplemental Indenture under the Master Indenture authorizing the issuance of an Obligation to secure a Series of Bonds.

"Supplemental Resolution" means any Applicable Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms of the Resolution.

"Tax Certificate" means the certificate of the Authority, including the appendices, schedules and exhibits thereto, executed in connection with the issuance of the Series 2020A Bonds in which the Authority makes representations and agreements as to arbitrage compliance with the provisions of Sections 141 through 150, inclusive, of the Code, or any similar certificate, agreement or other instrument made, executed and delivered in lieu of said certificate, in each case as the same may be amended or supplemented.

"Tax Exempt Bonds" means any Bonds authorized to be issued under the Resolution and under an Applicable Series Resolution, the interest on which Bonds is not included in gross income for purposes of federal income taxation pursuant to Section 103 of the Code.

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

"Trustee" means The Bank of New York Mellon or any other bank or trust company appointed as Trustee for an Applicable Series of the Bonds pursuant to the Resolution hereof or any Applicable Series Resolution or any Applicable Bond Series Certificate delivered hereunder and having the duties, responsibilities and rights provided for herein and any Applicable Series Resolution and Bond Series Certificate with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant hereto.

"Variable Interest Rate" means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds and which shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times, provided, however, that such variable interest rate may be subject to a maximum interest rate and a minimum interest rate and that there may be an initial rate specified, in each case, as provided in such Applicable Series Resolution or Applicable Bond Series Certificate, or (ii) a stated interest rate that may be changed from time to time as provided in such Applicable Series Resolution or Applicable Bond Series Certificate provided, further, that such Applicable Series Resolution or Applicable Bond Series Certificate shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times.

"Variable Interest Rate Bond" means any Bond which bears a Variable Interest Rate; provided, however, that a Bond, the interest rate on which shall have been fixed for the remainder of the term thereof, shall no longer be a Variable Interest Rate Bond.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement pertaining to the Series 2020A Bonds. Such summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all provisions. Defined terms used in the Loan Agreement shall have the meanings ascribed to them in Appendix C to this Official Statement.

Project Financing

The Authority agrees to use its best efforts to issue and deliver the Bonds. The proceeds of the Bonds shall be applied as specified in the Resolution, the Series 2020A Resolution or the Series 2020A Certificate.

(Section 4)

Construction of Projects

The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Loan Agreement, the Institution shall complete or cause the completion of the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project substantially in accordance with the Contract Documents relating thereto; or in the case of the refunding or defeasance of outstanding bonds or other undertaking of the Institution, the Institution shall complete the refinancing or defeasance of such outstanding bonds or other indebtedness. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Applicable Construction Fund, cause the Institution to be reimbursed for, or pay, costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by an Authorized Officer of the Authority.

(Section 5)

Amendment of the Project; Cost Increases; Additional Obligations.

The Project may be amended by the Institution upon compliance with Governmental Requirements and with the prior written consent of an Authorized Officer of the Authority and the Applicable Credit Facility Issuer, if any, to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake. The Institution covenants that it shall not transfer, sell, encumber or convey any interest in the Project or any part thereof or interest therein, including development rights (relating to any Project financed with the proceeds of Bonds), without complying with Governmental Requirements and obtaining the prior written consent of the Authority and the Applicable Credit Facility Issuer, which consent shall be accompanied by (i) an agreement by the Institution to comply with all terms and conditions of such consent and (ii) an opinion of Bond Counsel stating that the change will not have an effect on the tax-exempt status of the Bonds for federal income taxation purposes. In addition, the Institution may remove, transfer, sell or convey equipment, furniture or fixtures in the Project which may have been financed with the proceeds of the sale of any Bonds, or which comprise a part of the Project, provided that, unless otherwise approved by the Authority or as provided below, the Institution substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced. With regard to equipment, furniture and fixtures that have not been financed by the proceeds of the Bonds, the Institution may convey any such equipment, furniture and fixtures outside of the Obligated Group as permitted by the Master Indenture. The Institution, as permitted in the Master Indenture, subject to compliance with all applicable Governmental Requirements, may transfer any equipment, furniture and fixtures at any time to Members or non-members of the Obligated Group. Notwithstanding the foregoing, in all cases such transfers may be made only if they will not adversely affect the tax-exempt status of the Bonds.

The Authority, upon the request of the Institution, may, but shall not be required to, issue Additional Bonds to provide moneys required for the cost of completing the Project in excess of the moneys in the Applicable Construction Fund. Nothing contained herein or in the Resolution shall be construed as creating any obligation

upon the Authority to issue Additional Bonds for such purpose, it being the intent hereof to reserve to the Authority full and complete discretion to decline to issue such Additional Bonds. The proceeds of any Additional Bonds shall be deposited and applied as specified in the Series Resolution authorizing such Additional Bonds or the Bond Series Certificate relating to such Additional Bonds.

(Section 6)

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

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

(i) On or before the date of delivery of the Bonds, the Authority Fee as set forth in the Loan Agreement;

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

(iii) On the fifth Business Day preceding the date on which interest becomes due, the full amount of such interest coming due on the Bonds;

(iv) On the fifth Business Day preceding the date on which principal or a Sinking Fund Installment of Bonds becomes due, the full amount of such principal and Sinking Fund Installments coming due on the Bonds;

(v) Unless otherwise agreed to in writing by the Authority, at least forty-five (45) days prior to any date on which the Redemption Price or purchase price in lieu of redemption of Bonds previously called for redemption or contracted to be purchased is to be paid, the amount required to pay the Redemption Price or purchase price in lieu of redemption of such Bonds.

(vi) On the fifth Business Day prior to September 1, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year, and on the fifth Business Day prior to March 1 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year; *provided, however*, that the Annual Administrative Fee with respect to the Bonds payable during the Bond Year during which such Annual Administrative Fee became effective shall be equal to the Annual Administrative Fee with respect to such Bonds multiplied by a fraction, the numerator of which is the number of calendar months or parts thereof remaining in such Bond Year and the denominator of which is twelve (12);

(vii) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made pursuant paragraph (e) below and any actual out-of-pocket expenses or liabilities incurred by the Authority under the Loan Agreement, (iii) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Loan Agreement, the Resolution, the Master Indenture and the Series 2020A Obligation in accordance with the terms thereof, (iv) for the fees and expenses of the Trustee and any Paying Agent and reasonable attorneys' fees in connection with performance of their duties under the Resolution, and (v) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project or Projects for the benefit of the Institution;

(viii) Promptly upon demand by an Authorized Officer of the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to the Loan Agreement;

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

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

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

The Authority hereby directs the Institution, and the Institution hereby agrees, to make the payments required by paragraphs (a)(iii), (a)(iv), (a)(v), (a)(viii), and (a)(x) above directly to the Trustee for deposit and application in accordance with the Resolution, the payments required by paragraph (a)(ii) above directly to the Trustee for deposit in a Construction Fund or other fund established under the Resolution, as directed by an Authorized Officer of the Authority, the payments required by paragraphs (a)(i), (a)(vi) and (a)(vii) above directly to the Authority, the payments required by paragraph (a)(ix) above to or upon the order of the Authority. In the event that the payments required to be made directly to the Trustee pursuant to the preceding sentence are less than the total amount required to be paid to the Trustee and such payments relate to more than one Series of Bonds, the payments shall be applied pro rata to each such Series of Bonds based upon the amount then due and payable on each Series of Bonds pursuant to paragraphs (a)(iii), (a)(iv), (a)(v), (a)(viii) and (a)(x) above bears to the total amount then due and payable for all Series of Bonds, pursuant to such paragraphs.

The Institution agrees that it shall also be obligated to make all payments when due on the Obligations to the applicable holders of the Obligations, and that the applicable holders shall be entitled to so receive all payments when due on the Obligations, it being the intention of the parties hereto that the Series 2020A Obligation and the Loan Agreement are separate (but not duplicative) obligations of the Institution (and, to the extent provided in the Series 2020A Obligation, of the Obligated Group), that payments by the Institution (or the Obligated Group) to the Trustee pursuant to the Series 2020A Obligation shall serve as a credit against amounts due from the Institution to the Authority pursuant to the Loan Agreement with regard to the Bonds and that payments by the Institution to or upon the order of the Authority pursuant to the Loan Agreement shall serve as a credit against respective amounts due from the Institution (or the Obligated Group) to the Trustee pursuant to the Series 2020A Obligation.

(b) Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this subdivision (b)), all moneys paid by the Institution to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee shall be applied in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Notwithstanding any provision in the Loan Agreement or the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in this subdivision (b)), (i) all moneys paid by the Institution to the Trustee pursuant to paragraphs (a)(iii), (a)(iv), (a)(v), (a)(viii), and (a)(x) above (other than moneys received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in paragraph (a)(x) above) held by it in the Applicable Construction Fund to the Applicable Debt Service

Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by the Authority from the Institution of a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the Redemption Price of the Bonds to the extent of the amount of moneys transferred. Except as otherwise provided in the Resolution, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of the Bonds or the Applicable Credit Facility Issuer, if any, as the case may be, regardless of the actual due date or applicable payment date of any payment to the Holders of such Bonds.

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

The Loan Agreement and the obligations of the Institution to make payments under the Loan Agreement are general obligations of the Institution.

(d) An Authorized Officer of the Authority, for the convenience of the Institution, shall furnish to the Institution statements of the due date, purpose and amount of payments to be made pursuant the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided in the Loan Agreement.

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

(f) The Institution, if it is not then in default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of an Authorized Officer of the Authority in the Applicable Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or upon any deposit in an Applicable Debt Service Fund made pursuant to paragraph (b) above, the Authority agrees to direct the Trustee in writing to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution with respect to such Bonds; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(Section 9)

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

(a) The Institution consents to and authorizes the assignment, transfer or pledge, if any, by the Authority to the Trustee of the Authority's rights to receive the payments required to be made pursuant to paragraphs (a)(iii), (a)(iv), (a)(v), (a)(viii), and (a)(x) under the heading "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" above and any or all security interests granted by the Institution under the Loan Agreement. The Government Obligations, Federal Agency Obligations, Exempt Obligations and other Securities pursuant to the Loan Agreement and all funds and accounts established by the Resolution and pledged thereby, in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated thereby whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Institution further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee authorized by the provisions summarized under this heading "Consent to Pledge and Assignment; Covenants, Representations and Warranties", the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Institution under the Loan Agreement.

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

(Section 12)

Tax-Exempt Status

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that

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

(Section 13)

Maintenance of Corporate Existence

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

(Section 15)

Use of Project

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

(Section 17)

Maintenance, Repair and Replacement

The Institution agrees that, throughout the term of the Loan Agreement, it shall, at its own expense, hold, operate and maintain the Project in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Project may be appropriately conducted.

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

(Section 20)

Damage or Condemnation

In the event of a taking of the Project or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of such Project, the Institution shall use such insurance, condemnation or eminent domain proceeds in a manner as to not adversely affect the tax-exempt status on the Bonds. Any proceeds of a taking of the Project or any portion thereof by eminent domain or proceeds of insurance related to damage or destruction affecting all or part of such Project which are deposited with the Trustee shall be applied as provided in the Series 2020A Resolution or Series 2020A Certificate.

(Section 21)

Taxes and Assessments

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

(Section 22)

Defaults and Remedies

(a) As used in the Loan Agreement the term "Event of Default" shall mean:

(i) the Institution shall default in the timely payment of any amount payable described under the heading "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" when due;

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

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

(iv) the Obligated Group shall be in default under the Master Indenture and such default continues beyond any applicable grace period;

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

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

(vii) the certificate of incorporation of the Institution shall be suspended or revoked;

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

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

(x) a petition shall be filed with a court having jurisdiction for an order directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days;

(xi) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order shall remain undismissed or unstayed for the earlier of (x) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (y) an aggregate of thirty (30) days from the date such order shall have been entered; or

(xii) a final non-appealable judgment for the payment of money which in the reasonable judgment of the Authority will materially adversely affect the rights of the Holders of the Bonds shall be rendered against the Institution and at any time after forty-five (45) days from the entry thereof, (i) such judgment shall not have been discharged, or (ii) the Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within forty-five (45) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal.

(b) Upon the occurrence of an Event of Default, the Authority may take any one or more of the following actions:

(i) declare all sums payable by the Institution under the Loan Agreement or under the Series 2020A Obligation immediately due and payable;

(ii) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Bonds or any Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

(iii) withhold any or all further performance under the Loan Agreement;

(iv) maintain an action against the Institution under the Loan Agreement or under the Series 2020A Obligation or against any or all members of the Obligated Group under the Master Indenture or the Series 2020A Obligation to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of the Master Indenture or the Series 2020A Obligation, as provided in the Master Indenture;

(v) to the extent permitted by law, (i) enter upon the Project and complete the construction of the Project in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institution, consent to such entry being hereby given by the Institution, (ii) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (iii) assume any construction contract made by the Institution in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of such Project, and (iv) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of this paragraph (v), (A) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (B) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of the Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of the Project, and (C) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of any Project whether the same shall be paid or incurred pursuant to the provisions of this paragraph (v) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. For the purpose of exercising the rights granted by paragraph (v) during the term of the Loan Agreement, the Institution hereby irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution; and

(vi) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement, or by law, including any other action or proceeding permitted by the terms of the Loan Agreement, or by law.

(c) All rights and remedies in the Loan Agreement given or granted to the Authority are cumulative, non-exclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of the Authority's right to exercise such remedy thereafter.

(d) At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made or action taken pursuant to paragraph (b) above and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(e) The Institution shall give the Authority telephone and written notice within one business day of receiving information that the Master Trustee has appointed or intends to appoint a receiver in accordance with the Master Indenture.

(Section 26)

Arbitrage

(a) The Institution covenants that it shall not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Institution covenants that it will comply with the instructions and requirements of the Tax Certificate, which is incorporated in the Loan Agreement as if set forth fully in the Loan Agreement. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase Bonds (except in the case of a purchase in lieu of redemption) in an amount related to

the amount of any obligation to be acquired from the Institution by the Authority. The Institution will, on a timely basis, provide the Authority with all necessary information regarding funds not in the Authority's possession to enable the Authority to comply with the arbitrage and rebate requirements of the Code. The Institution shall be required to pay for any consultant or report necessary to satisfy any such arbitrage and rebate requirements.

(b) The Institution covenants that it will not take any action or fail to take any action which would cause any representation or warranty of the Institution contained in the Tax Certificate then to be untrue and shall comply with all covenants and agreements of the Institution contained in the Tax Certificate, in each case to the extent required by and otherwise in compliance with such Tax Certificate. The Institution shall maintain adequate policies and procedures to enable the Institution to comply with the reporting requirements of the Internal Revenue Service applicable to the Bonds, including but not limited to Schedule K (Form 990). The Institution shall certify annually to the Authority that it is in full compliance with the Loan Agreement and the Tax Certificate.

(c) The Authority agrees that any report of Excess Earnings (as defined in the Resolution) with respect to the Bonds prepared pursuant to the Resolution shall be provided to the Institution as soon as practicable after the completion of such report and that, prior to directing any payment pursuant to said section of Resolution of any amount in the Arbitrage Rebate Funds for the Bonds to the Department of Treasury of the United States of America, the Authority will provide to the Institution a copy of any form to be filed with the said department in connection with such payment and any related computation determining the amount of such payment.

(d) Notwithstanding any other provisions in the Loan Agreement or in the Resolution to the contrary, the Institution shall take full responsibility for performing all rebate calculations that may be required to be made from time to time with respect to the Bonds, and to coordinate with the Authority in order to permit the Authority to make timely payments of rebate liability to the Department of the Treasury of the United States of America (the "U.S. Treasury"). The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by or provided to it, in connection with the calculation of Excess Earnings and the rebate of all or a portion thereof. The Institution agrees to maintain records adequately documenting calculations of rebate and payments, if any, or satisfaction of a spending exception to rebate in connection with the Bonds and the other bonds comprising the composite issue as described in the Tax Certificate. The Institution agrees to provide the Authority with copies of any documents, reports and computations in connection with such rebate calculations and payments of rebate to the U.S. Treasury in connection with said composite issue.

(Section 31)

Termination

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

(Section 38)

Effective Date

The Authority and the Institution hereby agree that the Loan Agreement shall become effective immediately upon the issuance of the Bonds.

(Section 44)

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution, as supplemented. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Defined terms used in the Resolution shall have the meanings ascribed to them in Appendix C to this Official Statement.

Resolution, the Series Resolutions and the Bonds Constitute Separate Contracts

It is the intent of the Resolution to authorize the issuance by the Authority, from time to time, of its Bonds in one or more Series, each such Series to be authorized by a separate Applicable Series Resolution and, inter alia, to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the Applicable Series Resolution authorizing such Series of Bonds. With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of such Applicable Series authorized to be issued under the Resolution and under the Applicable Series Resolution by those who hold or own the same from time to time, the Resolution and the Applicable Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of such Applicable Series, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted thereby or by the Applicable Series Resolution.

(Section 1.03)

Pledge of Revenues

The proceeds from the sale of an Applicable Series of Bonds, the Revenues and all funds authorized by the Resolution and established pursuant to an Applicable Series Resolution, other than an Applicable Arbitrage Rebate Fund or an Applicable Credit Facility Repayment Fund, are by the Resolution, subject to the adoption of an Applicable Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Series of Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under an Applicable Series Resolution with respect to such Series, all in accordance with the provisions of the Resolution and thereof. The pledge made by the Resolution, subject to the adoption of an Applicable Series Resolution, shall relate only to the Bonds of an Applicable Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Applicable Series of Bonds, the Revenues and all funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution which are pledged by the Resolution and pursuant to the Applicable Series Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Applicable Series shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Revenues and the funds established by the Resolution and pursuant to the Applicable Series Resolution, which pledge shall constitute a first lien thereon.

(Section 5.01)

Establishment of Funds

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established, held and maintained for each Applicable Series by the Trustee under the Applicable Series Resolution separate from any other funds established and maintained pursuant to any other Series Resolution:

Construction Fund;
Debt Service Fund;
Debt Service Reserve Fund;
Arbitrage Rebate Fund; and
Credit Facility Repayment Fund.

Accounts and sub-accounts within each of the foregoing funds shall from time to time be established in accordance with an Applicable Series Resolution, an Applicable Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund created by the Resolution, other than the Applicable Arbitrage Rebate Fund and the Applicable Credit Facility Repayment Fund, shall be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but shall nevertheless be disbursed, allocated and applied solely in connection with an Applicable Series of Bonds for the uses and purposes provided in the Resolution; *provided however*, that (i) any Debt Service Reserve Fund established by or pursuant to a Series Resolution, the amounts held therein and amounts derived from any Reserve Fund Facility related thereto, shall not be held in trust for the benefit of the Holders of Bonds other than the Bonds of the Series secured thereby as provided in such Series Resolution and are pledged solely thereto and no Holder of the Bonds of any other Series shall have any right or interest therein, and (ii) the proceeds derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase or redemption in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price or Redemption Price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than such Option Bonds and are pledged by the Resolution for the payment of the purchase price or Redemption Price of such Option Bonds.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of an Applicable Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in an Applicable Series Resolution authorizing such Series or in the Applicable Bond Series Certificate.

Accrued interest, if any, received upon the delivery of an Applicable Series of Bonds shall be deposited in the appropriate account in the Applicable Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Applicable Series Resolution or the Applicable Bond Series Certificate.

(Section 5.03)

Application of Moneys in the Construction Fund

1. For purposes of internal accounting, an account in an Applicable Construction Fund may contain one or more subaccounts, as the Authority or the Trustee may deem necessary or desirable. As soon as practicable after the delivery of an Applicable Series of Bonds, the Trustee shall deposit in the appropriate account in the Applicable Construction Fund the amount required to be deposited therein pursuant to the Applicable Series Resolution, the Applicable Loan Agreement or the Applicable Bond Series Certificate. In addition, the Authority shall remit to the Trustee and the Trustee shall deposit in the appropriate account in the Applicable Construction Fund any moneys paid or instruments payable to the Authority derived from insurance proceeds or condemnation awards from the Applicable Project.

2. Except as otherwise provided in Article 5 of the Resolution and in the Applicable Series Resolution or Applicable Bond Series Certificate, moneys deposited in the Applicable Construction Fund shall be used only to pay the Costs of Issuance of the Bonds issued in connection with such Series Resolution or Bond Series Certificate and the Costs of the Project(s) in connection with which such Series of Bonds was issued.

3. Payments for Costs of an Applicable Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Such certificate or certificates shall be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Applicable Institution, describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of such Project except that payments to pay interest on the Applicable Series of Bonds shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Applicable Construction Fund to the Applicable Debt Service Fund.

4. Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or an Applicable Institution with respect to an Applicable Project financed with Tax Exempt Bonds shall be deposited in the appropriate account in the Applicable Construction Fund and, if necessary, such fund may be reestablished for such purpose and if not used to repair, restore or replace such Project, transferred to the Applicable Debt Service Fund for the redemption of the Applicable Series of Bonds in accordance with the Applicable Loan Agreement.

5. An Applicable Project shall be deemed to be complete (a) upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Applicable Institution which certificate shall be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the Applicable Institution and the Trustee of a certificate of the Authority which certificate shall be delivered at any time after completion of such Project. Each such certificate shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such Applicable Institution, shall specify the date of completion, or if any portion of the Project has been abandoned and will not be completed, such certificate shall so state.

Upon receipt by the Trustee of the certificate required pursuant to this subdivision 5, the moneys, if any, then remaining in the Applicable Construction Fund, after making provision in accordance with the written direction of the Authority for the payment of any Costs of Issuance of such Applicable Series of Bonds and Costs of the Applicable Project then unpaid, shall be paid by the Trustee as follows and in the following order of priority:

First: Upon the written direction of the Authority, to the Applicable Arbitrage Rebate Fund, the amount set forth in such direction;

Second: To the Applicable Debt Service Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and

Third: To the Applicable Debt Service Fund for the redemption or purchase of the Applicable Series of Bonds in accordance with the Resolution and the Applicable Series Resolution, any balance remaining.

(Section 5.04)

Enforcement of Obligations, Deposit of Revenues and Allocation Thereof

1. To the extent an Applicable Institution fails to make any timely payment with respect to a Series of Bonds under the Applicable Loan Agreement, which payment would constitute a credit for payment of the Applicable Obligation in accordance with the terms thereof, the Trustee shall promptly make demand for payment under the Applicable Obligation in accordance with the terms thereof.

2. The Revenues, including all payments received under the Applicable Loan Agreement, the Master Indenture, the Applicable Supplemental Indenture and the Applicable Obligations, shall be deposited upon receipt by the Trustee to the appropriate account of the Applicable Debt Service Fund in the amounts, at the times and for the purposes specified in the Applicable Series Resolution or Applicable Loan Agreement. Except as provided in the Applicable Series Resolution or Applicable Bond Series Certificate, to the extent not required to pay the interest, principal, Sinking Fund Installments and moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt Service Fund shall be paid by the Trustee on or before the business day preceding each interest payment date as follows and in the following order of priority:

First: To reimburse, pro rata, the Applicable Facility Provider, if any, for Provider Payments which are then unpaid the respective Provider Payments and to replenish each Debt Service Reserve Fund to its respective Debt Service Reserve Fund Requirement, pro rata, in proportion to the amount the respective Provider Payments then unpaid to each Facility Provider and the amount of the deficiency in each Debt Service Reserve Fund bears to the aggregate amount of Provider Payments then unpaid and deficiencies in the respective Debt Service Reserve Funds;

Second: Upon the written direction of an Authorized Officer of the Authority, to the Applicable Arbitrage Rebate Fund in the amount set forth in such direction;

Third: To the Applicable Debt Service Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and

Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Applicable Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Loan Agreement in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fifth.

3. After making the payments described above in subdivision 2, the balance, if any, of the Revenues then remaining shall, upon the written direction of an Authorized Officer of the Authority, be paid by the Trustee to the Applicable Construction Fund or the Applicable Debt Service Fund, or paid to the Applicable Institution, in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Resolution. The Trustee shall notify the Authority and the Institution promptly after making the payments described in subdivision 1 above, of any balance of Revenues then remaining.

4. In the event that any payments received by the Trustee under the Resolution are less than the total amount required to be paid to the Trustee and such payments relate to more than one Series of Bonds, the payments shall be applied pro rata to each such Series of Bonds based upon the amounts then due and payable.

(Section 5.05)

Debt Service Fund

1. The Trustee shall, on or before the business day preceding each interest payment date with respect to a Series of Bonds, as required by the Applicable Series Resolution or Applicable Bond Series Certificate, pay, from the Applicable Debt Service Fund, to itself and any other Paying Agent:

(a) the interest due on all Outstanding Bonds of the Applicable Series on such interest payment date;

(b) the principal amount due on all Outstanding Bonds of the Applicable Series on such interest payment date;

(c) the Sinking Fund Installments, if any, due on all Outstanding Bonds of the Applicable Series on such interest payment date; and

(d) moneys required for the redemption of Bonds of the Applicable Series in accordance with the Resolution.

The amounts paid out pursuant to this Section shall be irrevocably pledged to and applied to such payments.

2. In the event that on the fourth business day preceding any Interest Payment Date for a Series of Bonds the amount in the Applicable Debt Service Fund shall be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds of the Applicable Series, for the payment of principal of such Outstanding Bonds, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or for the payment of the Purchase Price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the Applicable Debt Service Reserve Fund and deposit to the Applicable Debt Service Fund such amounts as shall increase the amount in the Debt Service Fund to an amount sufficient to make such payments. The Trustee shall notify the Authority, the Applicable Facility Provider, if any, Credit Facility Issuer, if any, Master Trustee, Obligated Group Representative of a withdrawal from the Applicable Debt Service Reserve Fund.

3. Notwithstanding the provisions of subdivision 1 above, the Authority may, at any time subsequent to the first principal payment date of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Applicable Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by a Member of the Obligated Group and delivered to the Trustee in accordance with the Applicable Loan Agreement shall be canceled upon receipt thereof by such Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date, provided that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

4. Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of an Applicable Series of Bonds payable on or prior to the next succeeding principal payment date, the interest on such Outstanding Bonds payable on the next succeeding interest payment date, and the Purchase Price or Redemption Price of Applicable Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the written direction of an Authorized Officer of the Authority to the purchase of Applicable Outstanding Bonds of any Series at Purchase Prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Applicable Debt Service Fund, such moneys may be applied by the Trustee: (i) in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds as provided in Article IV of the Resolution, at the Redemption Prices specified in the Applicable Series Resolution or Applicable Bond Series Certificate or (ii) as may otherwise be directed by the Authority.

(Section 5.06)

Arbitrage Rebate Fund

The Trustee for a Series of Tax-Exempt Bonds shall deposit to the appropriate account in the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Applicable Institution for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as set forth in such directions.

Moneys on deposit in the Applicable Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority determines to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which the Authority determines to be in excess of the amount required to be so rebated shall be deposited to any Applicable Fund in accordance with the directions of the Authority.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Applicable Series of Bonds and direct the Trustee to (i) transfer from any other of the Applicable funds held by the Trustee under the Resolution and deposit to the Applicable Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Applicable Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time (i) the amounts held in the Applicable Debt Service Fund and the Applicable Debt Service Reserve Fund, if any, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of a Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, (ii) the amounts held in the Applicable Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Series secured thereby and the interest accrued and unpaid and to accrue on such Bonds to the next date on which such Bonds may be redeemed or (iii) in either case, to make provision pursuant to the Resolution for the payment of such Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the Applicable Institution(s). Upon receipt of such notice, the Authority may (i) direct the Trustee in writing to redeem all such Outstanding Bonds of the Applicable Series, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by the Applicable Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the defeasance provisions of the Resolution and make provision for the payment of such Outstanding Bonds at the maturity or redemption dates thereof in accordance with such instruction.

(Section 5.09)

Investment of Funds Held by the Trustee

1. Money held under the Resolution by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given in writing (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations or Exempt Obligations; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution.

2. In lieu of the investments of money in obligations authorized in the Resolution, the Trustee shall, to the extent permitted by law, upon direction of the Authority given in writing, signed by an Authorized Officer of the Authority, invest money in the Construction Fund in any Permitted Investment; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution, provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

3. Permitted Investments purchased or other investments made as an investment of moneys in any fund held by the Trustee under the provisions of the Resolution 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 be retained in, credited or charged, as the case may be, to such fund unless otherwise provided in the Applicable Series Resolution.

4. In computing the amount in any fund held by the Trustee under the Resolution, each Permitted Investment 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 the Applicable 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.

5. The Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, or present for redemption or exchange any investment held by the Trustee pursuant hereto and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant hereto 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 Trustee shall advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of subdivisions 1, 2 and 3 above. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

6. No part of the proceeds of any Applicable Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Tax-Exempt Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Security for Deposits

All moneys held under the Resolution by the Trustee of a Series of Bonds shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Applicable Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as shall then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee of a Series of Bonds or any Paying Agent of a Series of Bonds to give security for the deposit of any moneys with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Applicable Series of Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

(Section 6.01)

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, one or more series of bonds or other obligations, a portion of a Series of Outstanding Bonds or a portion of a series of bonds or other obligations, a portion of a maturity of a Series of Outstanding Bonds or a portion of a maturity of bonds or other obligations. The Authority by resolution of its members may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other

moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of this Section and of the Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the resolution or resolutions authorizing the bonds or other obligations issued by the Authority, as the case may be.

(i) With respect to Refunding Bonds issued to refund all or any portion of any Series of Outstanding Bonds or to refund all or a portion of one or more series of Bonds, the Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the other documents required by the Resolution for the issuance of Bonds) of:

(a) If the Bonds to be refunded are to be redeemed, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds, as the case may be, to be refunded on a redemption date specified in such instructions;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to mail the notice provided for in the Resolution to the Holders of the Bonds being refunded;

(c) Either or both of (1) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor or the Redemption Price on the applicable redemption date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which money shall be held by the Trustee or any one or more of the Paying Agents or such other fiduciary appointed by the Authority in a separate account irrevocably in trust for and assigned to the respective Holders of the Applicable Bonds to be refunded and (2) Defeasance Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as necessary to comply with the provisions of the Resolution or the resolution authorizing such Bonds, as may be applicable, which Defeasance Securities and moneys shall be held in trust and used only as provided in the Resolution; and

(d) A certificate of the Authority containing such additional statements as may be reasonably necessary to show compliance with the requirements of this Section.

The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Series Resolution authorizing such Refunding Bonds.

(ii) With respect to the Refunding Bonds issued to refund all or any portion of any bonds or other obligations issued by the Authority, the proceeds, including accrued interest, shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided or as determined in accordance with the resolution or resolutions authorizing such bonds or other obligations.

(Section 2.04)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution and pursuant to any Applicable Series Resolution, or prior or equal to the rights of the Authority and Holders of any Applicable Series of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution or pursuant to any Applicable Series Resolution.

(Section 2.05)

Tax Exemption: Rebates

Except as otherwise provided in an Applicable Series Resolution, in order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Tax-Exempt Bonds of each Applicable Series, the Authority shall comply with the provisions of the Code applicable to the Bonds of each Applicable Series of Tax-Exempt Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of each Applicable Series of Bonds, reporting of earnings on the Gross Proceeds of each Applicable Series of Bonds and rebates of Excess Earnings to the Department of the Treasury of the United States of America. Except as otherwise provided in the Resolution, the Authority shall comply with the letter of instructions as to compliance with the Code with respect to each such Series of Bonds, to be delivered by Bond Counsel at the time the Bonds of an Applicable Series are issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority shall not take any action or fail to take any action, which would cause the Bonds of an Applicable Series to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority's failure to comply with the provisions of the Code applicable to the Bonds of an Applicable Series shall not entitle the Holder of Bonds of any other Applicable Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority's failure to comply with the provisions of this Section or of the Code.

(Section 7.11)

Events of Default

An event of default shall exist under the Resolution and under an Applicable Series Resolution (in the Resolution called "event of default") if:

(a) With respect to the Applicable Series of Bonds, payment of the principal, Sinking Fund Installments, Purchase Price or Redemption Price of any such Bond shall not be made by the Authority when the same becomes due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) With respect to the Applicable Series of Bonds, payment of an installment of interest on any such Bond shall not be made by the Authority when the same becomes due and payable; or

(c) With respect to the Applicable Series of Tax-Exempt Bonds, the Authority shall default in the due and punctual performance of the covenants contained in the Resolution and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to the Applicable Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee (unless such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within thirty (30) days and diligently prosecutes the cure thereof), which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series with the prior written consent of the Applicable Credit Facility Issuer; or

(e) The Authority shall have notified the Trustee that an "Event of Default", as defined in the Applicable Loan Agreement, arising out of or resulting from the failure of the Applicable Institution to comply with the requirements of the Applicable Loan Agreement shall have occurred and be continuing and all sums payable by

the Institution under the Applicable Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

An event of default under the Resolution in respect of an Applicable Series of Bonds shall not in and of itself be or constitute an event of default in respect of any other Applicable Series of Bonds.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified in paragraph (c) of Section 11.02 summarized above, then and in every such case the Trustee may with the consent of the Applicable Credit Facility Issuer, if any, and upon the written request of (i) the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of an Applicable Series of Outstanding Bonds, with the prior written consent of the Applicable Credit Facility Issuers, if any, or (ii) if one or more Applicable Credit Facility Issuers, if any, have deposited with the Trustee a sum sufficient to pay the principal of and interest on the Applicable Outstanding Bonds due upon the acceleration thereof, upon the request of an Applicable Credit Facility Issuer, if any, or Applicable Credit Facility Issuers, if any, making such deposit, shall: (A) by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds of the Applicable Series to be due and payable immediately and (B) request that the Master Trustee declare all applicable Outstanding Obligations (as defined in the Master Indenture) to be immediately due and payable. At the expiration of thirty (30) days after the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in any Applicable Series Resolution or in the Bonds to the contrary notwithstanding. In the event that an Applicable Credit Facility Issuer shall make any payments of principal of or interest on any Bonds of the Applicable Series pursuant to an Applicable Credit Facility and the Bonds of the Applicable Series are accelerated, such Applicable Credit Facility Issuer may at any time and at its sole option, pay to the Bondholders all or such portion of amounts due under such Bonds of the Applicable Series prior to the stated maturity dates thereof. At any time after the principal of the Bonds of the Applicable Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the prior written consent of Applicable Credit Facility Issuers, if any, which have issued Applicable Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Bonds not then due by their terms and then Outstanding, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, with the prior written consent of the Applicable Credit Facility Issuers, if any, and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys have accumulated in the Applicable Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Applicable Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the Applicable Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this Section) have been paid or a sum sufficient to pay the same has been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under the Resolution) has been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee of a Series of Bonds may proceed, and upon the written request of the Applicable Credit Facility Issuers, if any, which have issued Applicable Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds with the consent of the Applicable Credit Facility Issuers, if any, or, in the case of a happening and continuance of an event of default specified in paragraph (c) of Section 11.02 of the Resolution summarized above under the heading "Events of Default", upon the written request of the Applicable Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds of the Series affected thereby with the consent of the Applicable Credit Facility Issuer, if any, of such Series of Bonds, shall proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Bondholders or of such Applicable Facility Provider, if any, under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under the Applicable Series Resolution or in aid or execution of any power granted in the Resolution or in the Applicable Series Resolution, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee deems most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under the Applicable Series Resolution, the Trustee is entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Applicable Series Resolution or of the Applicable Series of Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Applicable Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in any Applicable Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the prior written consent of the Applicable Credit Facility Issuers, if any, or, in the case of an event of default specified in paragraph (c) of Section 11.02 of the Resolution summarized above under the heading "Events of Default", the Holders of a majority in principal amount of the Outstanding Bonds of the Applicable Series with the prior written consent of the Applicable Credit Facility Issuers, if any, shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under the Applicable Series Resolution, provided, such direction shall not be otherwise than in accordance with law or the provisions of the Resolution and of the Applicable Series Resolution, and that the Trustee has the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Bondholders

Neither any Holder nor any Applicable Credit Facility Issuer with respect to any of the Bonds of an Applicable Series has any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Applicable Series Resolution, or for any other remedy under the Resolution unless such Holder or Applicable Credit Facility Issuer has previously given to the Trustee written notice of the

event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the prior written consent of the Applicable Credit Facility Issuer or, in the case of an event of default specified in paragraph (c) of Section 11.02 of the Resolution summarized above under the heading "Events of Default", the Holders of not less than a majority in principal amount of the Outstanding Bonds of such Series with the prior written consent of the Applicable Credit Facility Issuer, has made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and thereunder. It is understood and intended that no one (1) or more of the Applicable Credit Facility Issuers of an Applicable Series secured by the Resolution and by an Applicable Series Resolution has any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of an Applicable Series has the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Modification and Amendment Without Consent

Notwithstanding any other provisions of Article IX or Article X of the Resolution, the Authority may adopt at any time or from time to time, with prior written notice to the Applicable Credit Facility Issuer, if any, Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the Authority:

(a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds of an Applicable Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, the Master Indenture, or any Applicable Series Resolution, the Revenues, or any pledge of any other moneys, Securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution shall cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Resolution shall contain a specific reference to the modifications contained in such subsequent resolutions;

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent herewith as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution or Applicable Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of Bonds of an Applicable Series in any material respect;

(g) Upon any mandatory tender and remarketing of Variable Rate Bonds, to modify or amend any provision of the Resolution or an Applicable Series Resolution which modification or amendment shall be effective only with respect to the Series of Variable Interest Rate Bonds subject to such mandatory tender and remarketing, provided that the substance of such modification or amendment was disclosed to prospective Holder in the offering document prepared in connection with such mandatory tender and remarketing.

(Section 9.02)

Applicable Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the Resolution and an Applicable Series Resolution shall also be modified or amended at any time or from time to time by an Applicable Supplemental Resolution, subject to the consent of the Applicable Bondholders in accordance with and subject to the provisions of Article 10 of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority.

(Section 9.03)

Amendment of Loan Agreements

The Authority may not amend, change, modify, alter or terminate a Loan Agreement so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, with the prior written consent of the Applicable Credit Facility Issuer, if any, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected then Outstanding, with the prior written consent of each Applicable Credit Facility Issuer, if any; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any such specified Series remain Outstanding, the consent of the Holders of such Bonds and each Applicable Credit Facility Issuer, if any, shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by an Applicable Institution under its Applicable Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof or reduce the amount of any payment required to be made under the Obligations held by the Authority. A Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping, of any facilities constituting a part of the Applicable Projects or which may be added to or adjacent to the Applicable Projects or the issuance of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in an Applicable Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Notwithstanding anything in this Section 7.09 to the contrary, if an Applicable Loan Agreement expressly provides for the consent of any other person or entity to an amendment to such Loan Agreement, such consent shall be required to be obtained as provided in such Loan Agreement. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of this Section, a Series is deemed to be adversely affected by an amendment, change, modification or alteration of an Applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of the Applicable Series in any material respect. The Trustee may in its discretion

determine whether or not, in accordance with the foregoing provisions, Bonds of any Applicable Series would be adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on an Applicable Institution, the Members of the Obligated Group, the Authority and all Holders of Bonds.

For all purposes of this Section, the Trustee is entitled to rely upon an opinion of counsel, which counsel is satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

(Section 7.09)

Defeasance

1. If the Authority pays or causes to be paid to the Holders of the Bonds of an Applicable Series the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bonds Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted by the Resolution to such Series of Bonds shall be discharged and satisfied, and the right, title and interest of the Trustee in the Applicable Loan Agreement, and the Revenues shall thereupon cease with respect to such Series of Bonds. Upon such payment or provision for payment, the Trustee, on demand of the Authority, shall release the lien of the Resolution and Applicable Series Resolution but only with respect to such Applicable Series, except as it covers moneys and securities provided for the payment of such Bonds, and shall execute such documents to evidence such release as may be reasonably required by the Authority and the Obligated Group and shall turn over to the Obligated Group or such person, body or authority as may be entitled to receive the same, upon such indemnification, if any, as the Authority or the Trustee may reasonably require, all balances remaining in any funds held under the Applicable Series Resolution after paying or making proper provision for the payment of the principal or Redemption Price (as the case may be) of, and interest on, all Bonds of the Applicable Series and payment of expenses in connection therewith; provided that if any, of such Bonds are to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bonds and notice of such redemption has been duly mailed in accordance with the Resolution and the Applicable Series Resolution or irrevocable instructions to mail such notice shall have been given to the Trustee.

2. Bonds of an Applicable Series for which moneys have been set aside, shall be held in trust by the Trustee for the payment or redemption thereof, (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 above. All Outstanding Bonds of an Applicable Series or any maturity within such Series or a portion of a maturity within such Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Resolution if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority has given to the Trustee, in form satisfactory to it, irrevocable instructions to mail, as provided in Article IV of the Resolution, notice of redemption on said date of such Bonds, (b) except as otherwise set forth in a Series Resolution or Bond Series Certificate with respect to an Applicable Series of Bonds, there is deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, which obligations are not subject to redemption prior to maturity other than at the option of the holder or which have been irrevocably called for redemption on a stated future date, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of an Applicable Series on and prior to the redemption date or maturity date thereof, as the case may be, (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority has given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the holders of said Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and

interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with this Section. The Trustee shall select which Bonds of such Series and which maturity thereof shall be paid in accordance with this Section in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall to the extent practicable, be reinvested in the Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall to the extent certified by the Trustee to be in excess of the amount required in the Resolution to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; third, as directed by the Authority and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by such Loan Agreement; and then, to the extent any moneys are remaining, to the Authority or at the Authority's discretion, to the Institution.

3. For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of money, or Defeasance Securities and money, if any, in accordance with clause (b) of the second sentence of paragraph 2 above, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of money and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (b) of the second sentence of paragraph 2 above, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based on the respective Provider Payments then unpaid to each Facility Provider; third, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Applicable Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by such Loan Agreement.

4. Option Bonds shall be deemed to have been paid in accordance with the Resolution only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Trustee money in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to clause (b) of paragraph 2 above, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph 4. If any portion of the money deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Applicable Institution, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Applicable Loan Agreement.

5. Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of an Applicable Series which remain unclaimed for three (3) years after the date when such moneys become due and payable, upon such Bonds either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, shall at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds of such Series shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority. In lieu of publishing such notice in an Authorized Newspaper, the Authority may post, or cause the Institution to post the matters set forth in the Resolution on the Electronic Municipal Market Access portal of the Municipal Securities Rulemaking Board to all applicable CUSIP numbers.

6. No principal or Sinking Fund Installment of or installment of interest on a Bond shall be considered to have been paid, and the obligation of the Authority for the payment thereof shall continue, notwithstanding that an Applicable Credit Facility Issuer, if any, pursuant to the Applicable Credit Facility issued with respect to such Bond has paid the principal or Sinking Fund Installment thereof or the installment of interest thereon.

7. In addition to any further requirements that may be set forth in a Series Resolution or Bond Series Certificate with respect to an Applicable Series of Bonds, prior to any defeasance of a Series of Bonds becoming effective under the Resolution, each Applicable Credit Facility Issuer shall have received (a) the final official statement delivered in connection with the refunding of such Series of Bonds, if any, (b) a copy of the accountants' verification report, (c) a copy of the escrow deposit agreement or letter of instructions in form and substance acceptable to such Applicable Credit Facility Issuer, and (d) a copy of an opinion of Bond Counsel, dated the date of defeasance and addressed to such Applicable Credit Facility Issuer, to the effect that such Bonds have been paid within the meaning and with the effect expressed in the Resolution and the Applicable Series Resolution, and that the covenants, agreements and other obligations of the Authority to the Holders of such Bonds have been discharged and satisfied.

(Section 12.01)

APPENDIX F

FORM OF MASTER INDENTURE

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MASTER TRUST INDENTURE

MONTEFIORE MEDICAL CENTER

AND

MONTEFIORE HEALTH SYSTEM, INC.,

solely in its capacity as Credit Group Representative

AND

THE BANK OF NEW YORK MELLON,

as Master Trustee

Dated as of August 1, 2018

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APPENDICES

MASTER TRUST INDENTURE

THIS MASTER TRUST INDENTURE, dated as of August 1, 2018 (the "Master Indenture"), among MONTEFIORE MEDICAL CENTER, a not-for-profit corporation incorporated under the laws of the State of New York (the "Corporation"), MONTEFIORE HEALTH SYSTEM, INC., a not-for-profit corporation incorporated under the laws of the State of New York, solely in its capacity as Credit Group Representative, and The Bank of New York Mellon, a national banking association duly organized and existing under the laws of the United States of America and being qualified to accept and administer the trusts hereby created (as more specifically defined herein, the "Master Trustee").

W I T N E S S E T H:

WHEREAS, the Corporation is authorized and deem it necessary and desirable to enter into this Master Indenture for the purpose of providing for the issuance from time to time of Obligations hereunder to provide for the financing or refinancing of the acquisition, construction, equipping or improvement of health care or other facilities, or for other lawful and proper corporate purposes; and

WHEREAS, the Master Trustee agrees to accept and administer the trusts created hereby;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of the Obligations issued hereunder by the Holders thereof, and for the purpose of fixing and declaring the terms and conditions upon which such Obligations are to be issued, authenticated, delivered and accepted by all Persons who shall from time to time be or become Holders thereof, the Corporation covenants and agrees with the Master Trustee for the equal and proportionate benefit of the respective Holders from time to time of Obligations issued hereunder, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Master Indenture and of any supplemental indenture issued hereafter and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, equally applicable to both singular and plural forms of any of the terms herein defined.

Accountant

"Accountant" means any independent certified public accountant or firm of such accountants selected by the Credit Group Representative.

Affiliated Person

"Affiliated Person" means any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with a Credit Group Member.

Annual Debt Service

"Annual Debt Service" means for each Fiscal Year the sum (without duplication) of the aggregate amount of scheduled principal and interest due and payable in such Fiscal Year on all Long-Term Indebtedness of the Credit Group then Outstanding, whether by scheduled maturity, acceleration, mandatory redemption or otherwise, but not including purchase price becoming due as a result of mandatory or optional tender or put, less any amounts of such principal or interest paid during such Fiscal Year from (a) the proceeds of Indebtedness or (b) moneys or Government Obligations subject to an Irrevocable Deposit for the purpose of paying such principal or interest; provided that if an Identified Financial Product Agreement has been entered into by any Member with respect to Long-Term Indebtedness and the counterparty thereto has not defaulted in payment obligations thereunder, interest on such Long-Term Indebtedness shall be included in the calculation of Annual Debt Service by including for each Fiscal Year an amount equal to the amount of interest payable on such Long-Term Indebtedness in such Fiscal Year at the rate or rates stated in such Long-Term Indebtedness plus any Financial Product Payments under an Identified Financial Product Agreement payable in such Fiscal Year minus any Financial Product Receipts under an Identified Financial Product Agreement receivable in such Fiscal Year; provided that in no event shall any calculation made pursuant to this clause result in a number less than zero being included in the calculation of Annual Debt Service.

Authorized Representative

"Authorized Representative" means with respect to each Credit Group Member and the Credit Group Representative, its chair or vice chair of the board, president, chief executive officer, chief financial officer, or any other person designated as an Authorized Representative of such Credit Group Member by a certificate of that Credit Group Member signed by its chair or vice chair of the board, president, chief executive officer, or chief financial officer and filed with the Master Trustee.

Balloon Indebtedness

"Balloon Indebtedness" means Long-Term Indebtedness, twenty-five percent (25%) or more of the principal of which (calculated as of the date of issuance) becomes due during any period of twelve (12) consecutive months if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption prior to such 12-month period.

Bond Index

"Bond Index" means, as selected by the Credit Group Representative, either (i) the Bond Buyer thirty (30) year "Revenue Bond Index," as then published most recently by *The Bond Buyer*, New York, New York or a comparable index, if such index is no longer available, or (ii) the Securities Industry and Financial Markets Association (SIFMA) Index, or (iii) such other

interest rate or interest rate index as may be certified in writing to the Master Trustee as appropriate to the situation by the Credit Group Representative.

Book Value

"Book Value" means, when used in connection with Property, Plant and Equipment or other Property of any Credit Group Member, the value of such Property, net of accumulated depreciation, as it is carried on the books of the Credit Group Member and in conformity with GAAP, and when used in connection with Property, Plant and Equipment or other Property of the Credit Group, means the aggregate of the values so determined with respect to such Property of each Credit Group Member determined in such a way that no portion of such value of Property of any Credit Group Member is included more than once.

Code

"Code" means the Internal Revenue Code of 1986 and the regulations promulgated thereunder.

Collateral

"Collateral" means any and all of the following, whether currently owned or hereafter acquired by any Member: all current and future interests of each Member in the Gross Receivables, and other Property of any Member in which a Lien has expressly been granted to secure all Obligations issued hereunder from time to time in Related Supplements, and the proceeds thereof.

Completion Indebtedness

"Completion Indebtedness" means any Long-Term Indebtedness incurred for the purpose of financing the completion of construction or equipping of any project for which Long-Term Indebtedness or Interim Indebtedness has theretofore been incurred in accordance with the provisions hereof, to the extent necessary to provide a completed and fully equipped facility of the type and scope contemplated at the time said Long-Term Indebtedness or Interim Indebtedness was incurred, and in accordance with the general plans and specifications for such facility as prepared in connection with said Long-Term Indebtedness or Interim Indebtedness as certified by an Officer's Certificate.

Controlling Member

"Controlling Member" means the Obligated Group Member designated by the Credit Group Representative to establish and maintain control over a Designated Affiliate.

Corporate Trust Office

"Corporate Trust Office" means the office of the Master Trustee at which its corporate trust business is conducted, which at the date hereof is located at 101 Barclay Street, Floor 7-E, New York, New York 10286, Attn: Corporate Trust Services.

Corporation

"Corporation" means Montefiore Medical Center, a not-for-profit corporation duly organized and existing under the laws of the State of New York, or any corporation that is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under this Master Indenture.

Credit Group or Credit Group Members

"Credit Group" or "Credit Group Members" means all Obligated Group Members and Designated Affiliates.

Credit Group Financial Statements

"Credit Group Financial Statements" has the meaning set forth in Section 3.13.

Credit Group Representative

"Credit Group Representative" means Montefiore Health System, Inc. or an Obligated Group Member (or Obligated Group Members acting jointly) as may have been designated pursuant to written notice to the Master Trustee executed by the Corporation or a successor Credit Group Representative.

For the avoidance of doubt and notwithstanding anything in the Master Indenture to the contrary, Montefiore Health System, Inc. is not an Obligated Group Member, shall have no obligation for the payment on any Obligation and has not pledged its assets or revenues to secure any Obligation. Only Members of the Obligated Group are obligated to make payment on Obligations issued under the Master Indenture.

Days Cash on Hand

"Days Cash on Hand" means, for the Credit Group, as of any date, the product of 365 times (i) the unrestricted cash and cash equivalents plus unrestricted securities and other unrestricted investments (in accordance with GAAP) as reflected in the Credit Group Financial Statements of the most recent Fiscal Year, plus board and management designated assets and interest funds in any trusteed funds which are to be applied to the current Fiscal Year's interest expense, divided by (ii) the operating and non-operating expenses of the Credit Group as reflected in the Credit Group Financial Statements of the most recent Fiscal Year, excluding from such expenses: (a) depreciation and amortization of debt and bond issuance costs, (b) any amount included in the operating and non-operating expenses representing bad debt expense, and (c) any extraordinary or non-recurring item.

Debt Service Coverage Ratio

"Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing Income Available for Debt Service of the Credit Group by Maximum Annual Debt Service of the Credit Group.

Default

"Default" means an event that, with the passage of time or the giving of notice or both, would become an Event of Default.

Designated Affiliate

"Designated Affiliate" means any Person that has been so designated by the Credit Group Representative in accordance with Section 3.03 so long as such Person has not been further designated by the Credit Group Representative as no longer being a Designated Affiliate in accordance with Section 3.03.

Electronic Means

"Electronic Means" has the meaning set forth in Section 5.02(j) hereof.

Event of Default

"Event of Default" means any of the events specified in Section 4.01 hereof.

Fair Market Value

"Fair Market Value," when used in connection with Property, means the fair market value of such Property as determined by:

(a) an appraisal of the portion of such Property that is real property made within five years of the date of determination by a "Member of the Appraisal Institute" and by an appraisal of the portion of such Property that is not real property made within five years of the date of determination by any expert qualified in relation to the subject matter, provided that any such appraisal shall be performed by an Independent Consultant, adjusted for the period, not in excess of five years, from the date of the last such appraisal for changes in the implicit price deflator for the gross national product as reported by the United States Department of Commerce or its successor agency, or if such index is no longer published, such other index certified to be comparable and appropriate in an Officer's Certificate delivered to the Master Trustee; or

(b) a bona fide offer for the purchase of such Property made on an arm's-length basis within six months of the date of determination, as established by an Officer's Certificate; or

(c) an Authorized Representative of the Credit Group Representative (whose determination shall be made in good faith and set forth in an Officer's Certificate filed with the Master Trustee) if the fair market value of such Property is less than or equal to the greater of $10,000,000 or 2.5% of cash and equivalents as shown on the Credit Group Financial Statements.

Financial Product Agreement

"Financial Product Agreement" means any interest rate exchange agreement, hedge or similar arrangement, including, *inter alia*, an interest rate swap, asset swap, a constant maturity swap, a forward or futures contract, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, direct funding transaction or other derivative, however denominated and whether entered into on a current or forward basis.

Financial Product Extraordinary Payments

"Financial Product Extraordinary Payments" means any payments required to be paid to a counterparty by a Credit Group Member pursuant to a Financial Product Agreement in connection with the termination thereof, tax gross-up payments, expenses, default interest, and any other payments or indemnification obligations to be paid to a counterparty by a Credit Group Member under a Financial Product Agreement, and which payments are not Financial Product Payments.

Financial Product Payments

"Financial Product Payments" means regularly scheduled payments required to be paid to a counterparty by a Credit Group Member pursuant to a Financial Product Agreement.

Financial Product Receipts

"Financial Product Receipts" means regularly scheduled payments required to be paid to a Credit Group Member by a counterparty pursuant to a Financial Product Agreement.

Fiscal Year

"Fiscal Year" means the period beginning on January 1 of each year and ending on the next succeeding December 31, or any other twelve-month period hereafter designated by the Credit Group Representative as the fiscal year of the Credit Group.

GAAP

"GAAP" means accounting principles generally accepted in the United States of America, consistently applied.

Governing Body

"Governing Body" means, when used with respect to any Credit Group Member, its board of directors, board of trustees or other board or group of individuals in which all of the powers of such Credit Group Member are vested, except for those powers reserved to the corporate membership of such Credit Group Member by the articles of incorporation or bylaws of such Credit Group Member.

Government Issuer

"Government Issuer" means any municipal corporation, political subdivision, state, territory or possession of the United States, or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, which obligations would constitute Related Conduit Issuer Bonds hereunder.

Government Obligations

"Government Obligations" means: (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 of the United States of America) or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America; (b) obligations issued or guaranteed by any agency, department or instrumentality of the United States of America if the obligations issued or guaranteed by such entity are rated in one of the two highest Rating Categories of a Rating Agency; (c) certificates that evidence ownership of the right to the payment of the principal of and interest on obligations described in the preceding clause (a), in the preceding clause (b) or in both clauses, provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian; and (d) obligations the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust of cash and/or obligations described in one or more of preceding clauses (a), (b) and (c).

Government Restriction

"Government Restriction" means federal, state or other applicable governmental laws or regulations or general industry standards or general industry conditions affecting any Credit Group Member and its health care facilities or other licensed facilities placing restrictions and limitations on the (a) fees and charges to be fixed, charged or collected by any Credit Group Member or (b) the timing of the receipt of such revenues.

Gross Receivables

"Gross Receivables" means all of the accounts, chattel paper, instruments and payment intangibles (all as defined in the UCC) of each Obligated Group Member, as are now in existence or as may be hereafter acquired and the proceeds thereof; excluding, however, all Restricted Moneys.

Guaranty

"Guaranty" means any obligation of any Credit Group Member guaranteeing directly any obligation of any other Person that would, if such other Person were a Credit Group Member, constitute Indebtedness.

Holder

"Holder" means the registered owner of any Obligation in registered form or the bearer of any Obligation in coupon form that is not registered or is registered to bearer or the party or parties to any contractual obligation designated to be an Obligation set forth in a Related Supplement and identified therein as the party to whom payment is due thereunder or the "holder" thereof.

Identified Financial Product Agreement

"Identified Financial Product Agreement" means a Financial Product Agreement identified to the Master Trustee in an Officer's Certificate of the Credit Group Representative as having been entered into by an Obligated Group Member with a Qualified Provider with respect to Indebtedness (that is either then-Outstanding or to be issued after the date of such Officer's Certificate) identified in such Officer's Certificate, with a notional amount not in excess of the principal amount of such Indebtedness.

Immaterial Affiliates

"Immaterial Affiliates" means Persons that are not Members of the Credit Group and whose combined total assets, as shown on their audited financial statements for their most recently completed fiscal year for which audited financial statements are available, aggregated less than 10% of (i) the combined or consolidated total assets of the Credit Group as shown on the Credit Group Financial Statements for the most recent Fiscal Year, plus (ii) the total combined assets of such Persons as if they were Members of the Credit Group for such period.

Income Available for Debt Service

"Income Available for Debt Service" means, unless the context provides otherwise, with respect to the Credit Group as to any period of time, or excess of revenues over expenses (excluding income from all Irrevocable Deposits) before depreciation, amortization, taxes, and interest expense (including Financial Product Payments and Financial Product Receipts on Identified Financial Product Agreements), as determined in accordance with GAAP and as shown on the Credit Group Financial Statements, expressly including any Delivery System Reform Incentive Payment (DSRIP) income or grants or other funds from federal or state government agencies; provided, that no determination thereof shall take into account:

(a) Restricted Moneys;

(b) the net proceeds of insurance (other than business interruption insurance) and condemnation awards;

(c) any gain or loss resulting from the extinguishment of Indebtedness;

(d) any gain or loss resulting from the sale, exchange or other disposition of assets not in the ordinary course of business; provided, however, that, at the Credit Group Representative's election, gain from a sale-leaseback under GAAP may be taken into account;

(e) any gain or loss resulting from any discontinued operations;

(f) any gain or loss resulting from pension terminations, settlements or curtailments;

(g) any unusual charges for employee severance;

(h) adjustments to the value of assets or liabilities resulting from changes in GAAP;

(i) unrealized gains or losses, including, without limitation, "other than temporary" declines in Book Value of investments;

(j) gains or losses resulting from changes in valuation of any hedging, derivative, interest rate exchange or similar contract (including Financial Product Agreements);

(k) any Financial Product Extraordinary Payments or similar payments on any hedging, derivative, interest rate exchange or similar contract that does not constitute a Financial Product Agreement;

(l) unrealized gains or losses from the write-down, reappraisal or revaluation of assets; or

(m) other nonrecurring items of any nature that do not involve the receipt, expenditure or transfer of assets;

provided, however, at the option of the Credit Group Representative, net realized gains and losses from the sale of investments may be included in the computation of Income Available for Debt Service on the basis of the average annual amount of those gains and losses for the three (3) Fiscal Years immediately preceding the computation date (rather than including the actual amount of net realized gains and losses from the sale of investments for the period for which a computation is being made).

Indebtedness

"Indebtedness" means any obligation of any Credit Group Member (a) for repayment of borrowed money, (b) with respect to capital or finance leases, or (c) under installment sale agreements, and any Guaranty (other than any Guaranty by any Credit Group Member of Indebtedness of any other Credit Group Member); provided, however, that if more than one Credit Group Member shall have incurred or assumed a Guaranty of a Person other than a Credit Group Member, or if more than one Credit Group Member shall be obligated to pay any other Indebtedness, for purposes of any computations or calculations under this Master Indenture such Guaranty or other Indebtedness shall be included only one time. Financial Product Agreements and physician income guaranties shall not constitute Indebtedness. For purposes of determining Indebtedness, no lease obligations, other than capital leases, shall be deemed to be Indebtedness, whether or not those lease obligations are shown as a liability on the Credit Group Financial Statements.

Independent Consultant

"Independent Consultant" means a firm (but not an individual) that (a) is in fact independent, (b) does not have any direct financial interest or any material indirect financial interest in any Credit Group Member (other than the agreement pursuant to which such firm is retained), (c) is not connected with any Credit Group Member as an officer, employee, promoter, trustee, partner, director or person performing similar functions and (d) is qualified to pass upon questions relating to the financial affairs of organizations similar to the Credit Group or facilities of the type or types operated by the Credit Group and having the skill and experience necessary to render the particular opinion or report required by the provisions hereof in which such requirement appears.

Industry Restrictions

"Industry Restrictions" means federal, state or other applicable governmental laws or regulations, including conditions imposed specifically on the Credit Group Members or the Credit Group Members' facilities, or general industry standards or general industry conditions placing restrictions and limitations on the rates, fees and charges to be fixed, charged and collected by the Credit Group Members.

Insurance Consultant

"Insurance Consultant" means an independent Person or firm which is selected by the Credit Group Representative or an Obligated Group Member, as the case may be, and acceptable to the Master Trustee and qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations.

Interim Indebtedness

"Interim Indebtedness" means Indebtedness with an original maturity not in excess of five years, the proceeds of which are to be used to provide interim financing for capital improvements in anticipation of the issuance of Long-Term Indebtedness. Interim Indebtedness shall be considered Long-Term Indebtedness for purposes of this Master Indenture.

Irrevocable Deposit

"Irrevocable Deposit" means the irrevocable deposit in trust of cash in an amount, or Government Obligations, or other securities permitted for such purpose pursuant to the terms of the documents governing the payment of or discharge of Indebtedness, the principal of and interest on which will be an amount, and under terms sufficient to pay all or a portion of the principal of, premium, if any, and interest on, as the same shall become due, any such Indebtedness that would otherwise be considered Outstanding. The trustee of such deposit may be the Master Trustee, a Related Bond Trustee or any other trustee or escrow agent authorized to act in such capacity.

Lien

"Lien" means any mortgage or pledge of, or security interest in, or lien or encumbrance on, any Property of a Credit Group Member (a) that secures any Indebtedness or any other obligation of such Credit Group Member or (b) that secures any obligation of any Person other than a Credit Group Member, and excluding liens applicable to Property in which a Credit Group Member has only a leasehold interest unless the lien secures Indebtedness of that Credit Group Member.

Long-Term Indebtedness

"Long-Term Indebtedness" means Indebtedness other than Short-Term Indebtedness. Classification of Indebtedness as long-term under GAAP shall not be controlling.

Master Indenture

"Master Indenture" means this Master Trust Indenture, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms hereof.

Master Trustee

"Master Trustee" means The Bank of New York Mellon, a national banking association organized under the laws of the United States of America, and, subject to the limitations contained in Section 5.07, any other corporation or association that may be co-trustee with the Master Trustee, and any successor or successors to said trustee or co-trustee in the trusts created hereunder.

Material Credit Group Members

"Material Credit Group Members" means the Credit Group Members whose combined or consolidated total assets, as shown on their financial statements for their most recently completed fiscal year for which audited financial statements are available, were equal to or greater than 90% of the combined or consolidated total assets of the entire Credit Group as shown on the Credit Group Financial Statements for the most recently completed Fiscal Year of the Credit Group for which audited financial statements are available.

Maximum Annual Debt Service

"Maximum Annual Debt Service" means the aggregate maximum Annual Debt Service payments (including mandatory sinking fund redemption requirements) of the Credit Group on Long-Term Indebtedness (excluding any Long-Term Indebtedness of any entities not in the Credit Group) for any succeeding Fiscal Year. Such amount may be calculated as set forth in either (a) or (b) below:

(a) *Projection Based on Adjusted Annual Payments*. Maximum Annual Debt Service may be projected based on adjusted annual payments, determined as follows:

(i) Annual Debt Service requirements on Long-Term Indebtedness, or portions thereof, shall not be included in the computation of the Maximum Annual Debt Service (A) until the Fiscal Year in which such Annual Debt Service, or portions thereof, first become payable, only to the extent that it shall be payable, from sources other than amounts deposited in trust, escrowed or otherwise set aside for the payment thereof at the time of incurrence of Indebtedness (including without limitations, so as to prevent the double-counting of any Indebtedness in the computation of the Maximum Annual Debt Service, capitalized interest and accrued interest so deposited into trust, escrowed or otherwise set aside) with the Master Trustee, a Related Bond Trustee or another Person approved by the Master Trustee; and (B) to the extent that an Irrevocable Deposit sufficient to pay such Annual Debt Service has been made;

(ii) the principal amount of any Long-Term Indebtedness required to be redeemed in any Fiscal Year shall be deemed to be payable in such Fiscal Year rather than the Fiscal Year of its stated maturity; provided, however, that if a Financial Product Agreement has been entered into that in effect provides for payment of a variable interest rate for any portion of such Indebtedness, the Obligated Group may treat the related portion of such Indebtedness as Variable Rate Indebtedness for the term of the Financial Product Agreement and calculate or project the interest rate payable as a result of the Financial Product Agreement pursuant to the provisions of clause (iii) below;

(iii) the amount of interest on Variable Rate Indebtedness during any period prior to the date of calculation shall be calculated on the basis of actual interest paid on such Indebtedness during such prior periods, and the amount of interest on Variable Rate Indebtedness for periods subsequent to the date of calculation shall be calculated as if the interest rate on such Indebtedness was (A) if such Indebtedness was Outstanding during the entire twelve months immediately preceding such determination, the average rate of interest thereon for that twelve-month period, (B) if such Indebtedness was Outstanding for only a portion of such immediately preceding twelve-month period, the average rate of interest which would have been in effect if such Indebtedness had been Outstanding during the entire period, or (C) if such Indebtedness was not Outstanding during such immediately preceding twelve-month period, the rate of interest such Indebtedness bears on the date of the calculation of the Debt Service Coverage Ratio; provided, however, that the Obligated Group may project the interest payments on the related portion of such Indebtedness by using the fixed rate payable on a related Identified Financial Product Agreement;

(iv) Annual Debt Service on Balloon Indebtedness and any Interim Indebtedness, shall be projected assuming (A) that the principal balance of such Indebtedness on the date of determination is refinanced on the date of determination over a term equal to the greater of thirty (30) years or the date of maturity of such Indebtedness, (B) that such principal balance will bear interest at the Bond Index, and (C) that Annual Debt Service on such Indebtedness after the date of determination will be payable in equal annual installments sufficient to pay both principal and interest;

(v) Annual Debt Service on Indebtedness arising from any Guaranty shall be taken into account as follows: (A) equal to twenty (20%) of the Annual Debt Service on the obligation guaranteed, so long as no Obligated Group Member has made any payments

pursuant to such Guaranty within the eighteen (18) months preceding the date of calculation; and (B) otherwise shall be calculated as equal to one hundred percent (100%) of the Annual Debt Service on the obligation guaranteed;

(vi) there shall be excluded from Long-Term Indebtedness: (i) any obligation owed by one Credit Group Member to another Credit Group Member and (ii) any Subordinated Indebtedness or Nonrecourse Indebtedness incurred by any Credit Group Member;

(vii) any periodic fees payable to any Person providing a credit facility for any Long-Term Indebtedness incurred by any Credit Group Member shall be included as payments of interest on such Long-Term Indebtedness; and

(viii) the terms of any reimbursement obligation to any Person providing a credit facility for any such Long-Term Indebtedness shall be excluded from Long-Term Indebtedness, except to the extent and for periods during which payments have been required to be made pursuant to such reimbursement obligation to such Person advancing funds and not being reimbursed; or

(b) *Projection Based on Assumed Level Annual Payments*. Maximum Annual Debt Service may be projected based on assumed level annual payments, determined as follows:

(i) The amount of principal and interest payable during each year on such Indebtedness after the date of determination shall be projected assuming (A) that the principal balance of such Indebtedness (after adjustment as provided in paragraph (b)(ii) of this definition) on the date of determination will be refinanced, (B) that such principal balance will be payable over a term of thirty (30) years, (C) that such principal balance will bear interest at the Bond Index, and (D) that Annual Debt Service on such Indebtedness will be payable in equal annual installments sufficient to pay both principal and interest.

(ii) If the Obligated Group has paid, directly or indirectly, any principal or interest on Indebtedness arising from any Guaranty at any time during the 18-month period next preceding such determination, one hundred percent (100%) of the principal balance of such Indebtedness shall be included in the projection. If the Obligated Group has not paid, directly or indirectly, any principal or interest on Indebtedness arising from any Guaranty at any time during the 18-month period next preceding such determination, only twenty percent (20%) of the principal balance on such Indebtedness shall be included in the projection.

(iii) If an Irrevocable Deposit shall have been made in respect of Indebtedness, then such Indebtedness (or any portion thereof) and the interest thereon as it comes due, such principal (or portion thereof), as the case may be, shall not be included in such projection.

Merger Transaction

"Merger Transaction" has the meaning set forth in Section 3.08.

Mortgage

"Mortgage" means the Mortgage granted pursuant to Section 2.06.

Mortgaged Property

"Mortgaged Property" means the real property described in Appendix A hereto, subject to and with the benefit of all rights and easements appurtenant thereto and all buildings, structures, fixtures and improvements thereon, whether in existence on the date hereof or later coming into existence and whether owned by the Corporation (or any other Obligated Group Member) on the date hereof or acquired hereafter, together with any additional real property not included in the foregoing provisions which may be added to the Mortgaged Property by a Related Supplement, subject always to Section 2.07 hereof.

New Master Indenture

"New Master Indenture" has the meaning set forth in Section 3.15 hereof.

New Master Trustee

"New Master Trustee" has the meaning set forth in Section 3.15 hereof.

New Obligated Group

"New Obligated Group" has the meaning set forth in Section 3.15 hereof.

Nonrecourse Indebtedness

"Nonrecourse Indebtedness" means any Indebtedness that is not a general obligation and that is secured by a Lien on Property, Plant and Equipment acquired or constructed with the proceeds of such Indebtedness, liability for which is effectively limited to the Property, Plant and Equipment subject to such Lien with no recourse, directly or indirectly, to any other Property of any Credit Group Member.

Obligated Group

"Obligated Group" means all Obligated Group Members.

Obligated Group Member or Member

"Obligated Group Member" or "Member" means each Person that is obligated hereunder from and after the date upon which such Person joins the Obligated Group, but excluding any Person that withdraws from the Obligated Group to the extent and in accordance with the provisions of Section 3.10 hereof, from and after the date of such withdrawal.

Obligation

"Obligation" means any obligation of the Obligated Group issued pursuant to Section 2.02 hereunder, as a joint and several obligation of each Obligated Group Member, that may be

in any form set forth in a Related Supplement, including, but not limited to, bonds, notes, obligations, debentures, reimbursement agreements, loan agreements, Financial Product Agreements or leases. Reference to a Series of Obligations or to Obligations of a Series means Obligations or Series of Obligations issued pursuant to a single Related Supplement.

Officer's Certificate

"Officer's Certificate" means a certificate meeting the requirements of Section 1.04 signed by an Authorized Representative of the Credit Group Representative.

Opinion of Bond Counsel

"Opinion of Bond Counsel" means a written opinion signed by an attorney or firm of attorneys experienced in the field of public finance whose opinions are generally accepted by purchasers of bonds issued by or on behalf of a Government Issuer.

Opinion of Counsel

"Opinion of Counsel" means a written opinion signed by a reputable and qualified attorney or firm of attorneys who may be counsel for the Credit Group Representative.

Outstanding

"Outstanding," when used with reference to Indebtedness or Obligations, means, as of any date of determination, all Indebtedness or Obligations theretofore issued or incurred and not paid and discharged other than (a) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation or otherwise deemed paid in accordance with the terms hereof, (b) Obligations in lieu of which other Obligations have been authenticated and delivered or that have been paid pursuant to the provisions of a Related 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, (c) any Obligation held by any Credit Group Member and (d) Indebtedness deemed paid and no longer outstanding pursuant to the terms thereof; provided, however, that if two or more Obligations that constitute Indebtedness represent the same underlying Obligation (as when an Obligation secures an issue of Related Conduit Issuer Bonds and another Obligation secures repayment obligations to a bank under a letter of credit that secures such Related Conduit Issuer Bonds) for purposes of calculating compliance with the various financial covenants contained herein, but only for such purposes, only one of such Obligations shall be deemed Outstanding and the Obligation so deemed to be Outstanding shall be that Obligation which produces the greatest amount of Annual Debt Service to be included in the calculation of such covenants.

Parity Financial Product Extraordinary Payments

"Parity Financial Product Extraordinary Payments" means Financial Product Extraordinary Payments that (a) are with respect to a Financial Product Agreement secured or evidenced by an Obligation and (b) have been specified to be payable on a parity with Financial Product Payments in the Related Supplement authorizing the issuance of such Obligation.

Permitted Liens

"Permitted Liens" means and include:

(a) any judgment lien or notice of pending action against any Credit Group Member so long as the judgment or pending action is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;

(b) (i) 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, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of such Property or materially and adversely affect the Value thereof, or (B) purchase, condemn, appropriate or recapture, or designate a purchase of, such Property; (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer charges, 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, that are not delinquent, or the amount or validity of which are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen and laborers, have been due and payable or that are not delinquent, or the amount or validity of which, are being contested or, with respect to liens of mechanics, materialmen and laborers, have been due for less than sixty (60) days, or the amount or validity of which are being contested; (iii) easements, rights-of-way, water, mineral and oil and gas rights, servitudes, waivers, reservations of abutter's rights, governmental requirements, and defects, encumbrances, and irregularities in the title to any Property that do not materially impair the use of such Property or materially and adversely affect the Value thereof; (iv) condominium plans, condominium maps, tract maps, lot splits or lot line adjustment maps affecting such Property; and (v) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not materially impair the use of such Property in any manner, or materially and adversely affect the Value thereof;

(c) any Lien existing on the date of execution hereof as set forth in Appendix B hereto, or as exists upon addition of a Credit Group Member with respect to Liens existing on the Property of such additional Credit Group Member, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Credit Group Member not subject to such Lien on such date and the principal amount of Indebtedness secured thereby may not be increased, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

(d) any Lien in favor of the Master Trustee securing all Outstanding Obligations equally and ratably;

(e) Liens arising by reason of good faith deposits with any Credit Group Member in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Credit Group Member 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;

(f) 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 as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Credit Group Member 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 similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements, and any Lien granted to a bank or similar entity providing a letter or line of credit to secure any obligation of the kind referred to in this clause (f);

(g) any Lien arising by reason of any escrow or reserve fund established to pay debt service with respect to Indebtedness;

(h) 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;

(i) Liens on moneys deposited by patients or residents or others with any Credit Group Member as security for or as prepayment for the cost of patient or residential care;

(j) Liens on Property received by any Credit Group Member through gifts, grants, bequests or research grants, such Liens being due to restrictions on such gifts, grants, bequests or research grants or the income thereon;

(k) rights of the United States of America, including, without limitation, the Federal Emergency Management Agency ("FEMA"), or the City or State of New York, or its agency or instrumentality, by reason of FEMA and other federal, city, and State of New York funds made available to any Credit Group Member under federal, city, or State of New York statutes or municipal codes, including without limitation funds from the New York State Office of Alcoholism and Substance Abuse Services;

(l) Liens on Property securing Indebtedness incurred to refinance Indebtedness previously secured by a Lien on such Property, provided that (i) the amount of such new Indebtedness does not exceed the amount of such refinanced Indebtedness, and (ii) the Property securing such Indebtedness is not increased;

(m) Liens granted by a Credit Group Member to another Credit Group Member;

(n) Liens securing Nonrecourse Indebtedness incurred pursuant to the provisions hereof;

(o) Liens consisting of purchase money security interests (as defined in the UCC) and lessors' interest in capitalized leases, and proceeds of casualty insurance relating to the Property that is the subject of such purchase money security interest or capitalized leases;

(p) Liens on the Credit Group Members' accounts receivable and proceeds thereof securing Indebtedness (including Guaranties) in an amount not to exceed 30% of such accounts receivable and proceeds thereof net of bad debt, as shown as patients accounts

receivable, less allowances for uncollectible accounts, on the most recent Credit Group Financial Statements at the time such Indebtedness (or Guaranty) is incurred;

(q) Liens on revenues constituting rentals in connection with any other Lien permitted hereunder on the Property from which such rentals are derived;

(r) the lease or license of the use of a part of the Credit Group Members' facilities for use in performing professional or other services necessary for the customary and economical operation of such facilities in accordance with customary business practices in the industry, including, without limitation, office space for physicians, health care and educational institutions, food service facilities, gift shops and radiology or other hospital-specialty services, pharmacy and similar departments;

(s) Liens created on amounts deposited by a Credit Group Member pursuant to a security annex or similar document to collateralize obligations of such Credit Group Member under a Financial Product Agreement;

(t) Liens junior to Liens in favor of the Master Trustee;

(u) Liens in favor of banking or other depository institutions encumbering the deposits of any Credit Group Member held in the ordinary course of business by such banking institution (including any right of setoff or statutory bankers' liens) so long as such deposit account is not established or maintained for the purpose of providing such Lien, right of setoff or bankers' lien;

(v) UCC financing statements filed with the Secretary of State of the State (or such other office maintaining such records) in connection with an operating lease entered into by any Credit Group Member in the ordinary course of business so long as such financing statement does not evidence the grant of a Lien other than a Permitted Lien;

(w) rights of tenants under leases or rental agreements pertaining to Property, Plant and Equipment owned by any Credit Group Member so long as the lease arrangement is in the ordinary course of business of the Credit Group Member;

(x) leases for Fair Market Value, not exceeding in the aggregate at any time more than 10% of the net square footage of the Credit Group's real property;

(y) deposits of Property by any Credit Group Member to meet regulatory requirements for a governmental workers' compensation, unemployment insurance or social security program, other than any Lien imposed by the Employee Retirement Income Security Act of 1974 (ERISA);

(z) deposits to secure the performance of another party with respect to a bid, trade contract, statutory obligation, surety bond, appeal bond, performance bond or lease, and other similar obligations incurred in the ordinary course of business of a Credit Group Member;

(aa) Liens resulting from deposits to secure bids from or the performance of another party with respect to contracts incurred in the ordinary course of business of a Credit

Group Member (other than contracts creating or evidencing an extension of credit to the depositor or otherwise for the payment of Indebtedness);

(bb) present or future zoning laws, ordinances or other laws or regulations restricting the occupancy, use or enjoyment of Property, Plant and Equipment of any Credit Group Member;

(cc) any Lien on inventory that does not exceed 25% of the Value thereof;

(dd) any Lien on Property due to the rights of third-party payors for recoupment or offset of amounts paid to any Credit Group Member and escrows therefor;

(ee) any Lien on Property to secure Indebtedness incurred under Section 3.12(g);

(ff) any Liens which are pre-existing prior to a Person's becoming an Obligated Group Member pursuant to Section 3.09 or a merger, consolidation, sale or conveyance pursuant to Section 3.08;

(gg) any Liens arising from a Credit Group Member's participation in an accountable care organization or other similar health care delivery organization (collectively, a "Provider Group Arrangement") pursuant to which the Credit Group Member is responsible for its own or one or more other health care provider's escrow funds, withhold, deductible, shared savings, or other payments due with respect to contractual arrangements with governmental or third party payors, and Liens on revenues held by such Credit Group Member on behalf of other participants to a Provider Group Arrangement;

(hh) any Lien existing for not more than 10 days after the Credit Group Member shall have received notice thereof;

(ii) any Lien on Property to secure an Obligation issued under a Related Supplement, so long as such Lien secures all Outstanding Obligations equally and ratably;

(jj) leases, licenses or similar rights existing as of the date of the initial execution and delivery of this Master Indenture to use Property owned on such date by any Person who was a Credit Group Member on such date, and any renewal extensions thereof; and any leases, licenses or similar rights to use Property whereunder a Credit Group Member is lessee, licensee or the equivalent thereof; and

(kk) any Lien on Property with a Value that does not, together with the Value of Property subject to other Liens incurred under this clause (kk), exceed 10% of the Value of all Property of the Credit Group Members as of the most recently available Credit Group Financial Statements preceding the date of incurrence of such Lien.

Person

"Person" means an individual, corporation, limited liability company, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Property

"Property" means any and all rights, titles and interests in and to any and all assets of any Credit Group Member, whether real or personal, tangible or intangible and wherever situated, other than Restricted Moneys as determined in accordance with GAAP. For purposes of performing calculations under this Master Indenture, the Credit Group Representative may treat "total assets" as shown on the Credit Group Financial Statements as the Book Value of the Credit Group's Property.

Property, Plant and Equipment

"Property, Plant and Equipment" means all Property of any Credit Group Member that is considered property, plant and equipment of such Credit Group Member under GAAP.

Qualified Provider

"Qualified Provider" means any financial institution or insurance company or corporation that is a party to a Financial Product Agreement if (a) the unsecured long-term debt obligations of such provider (or of the parent or a subsidiary of such provider if such parent or subsidiary guarantees or otherwise assures the performance of such provider under such Financial Product Agreement), or (b) obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such provider (or such guarantor or assuring parent or subsidiary), are rated in one of the three highest Rating Categories of a Rating Agency at the time of the execution and delivery of the Financial Product Agreement.

Rating Agency

"Rating Agency" means Fitch Inc., Moody's Investors Service, Inc., S&P Global Ratings, a division of The McGraw-Hill Companies, any successor thereof and any other national rating agency then rating Obligations or Related Conduit Issuer Bonds.

Rating Category

"Rating Category" means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier, outlook or otherwise.

Rating Upgrade

"Rating Upgrade" has the meaning set forth in Section 3.15(a) hereof.

Related Conduit Issuer Bonds

"Related Conduit Issuer Bonds" means the revenue bonds or other obligations issued by any Government Issuer, the proceeds of which are loaned or otherwise made available to a Credit Group Member in consideration of the execution, authentication and delivery of an Obligation or Obligations to or for the order of such Government Issuer.

Related Bond Indenture

"Related Bond Indenture" means any indenture, bond resolution, trust agreement or other comparable instrument pursuant to which a series of Related Conduit Issuer Bonds are issued.

Related Bond Issuer

"Related Bond Issuer" means the Government Issuer of any issue of Related Conduit Issuer Bonds.

Related Bond Trustee

"Related Bond Trustee" means the trustee and its successors in the trusts created under any Related Bond Indenture, and if there is no such trustee, means the Related Bond Issuer.

Related Supplement

"Related Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Master Indenture.

Replacement Note

"Replacement Note" has the meaning set forth in Section 3.15 hereof.

Required Payment

"Required Payment" means any payment, whether at maturity, by acceleration, upon proceeding for redemption or otherwise, including, without limitation, Financial Product Payments, Financial Product Extraordinary Payments and the purchase price of Related Conduit Issuer Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture, required to be made by any Obligated Group Member pursuant to any Related Supplement or any Obligation.

Responsible Officer

"Responsible Officer" means, with respect to the Master Trustee, any vice president, any senior associate, any associate, or any other officer of the Master Trustee customarily performing functions similar to those performed by the persons above designated or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Master Indenture.

Restricted Moneys

"Restricted Moneys" means (a) the proceeds of any grant, gift, bequest, contribution or other donation (and, to the extent subject to the applicable restrictions, the investment income derived from the investment of such proceeds), and (b) any income and gains and the proceeds thereof of a Member that is a captive insurance company; to the extent in each case as restricted by law or its terms to an object or purpose inconsistent with their use for the payment of Required Payments.

Short-Term Indebtedness

"Short-Term Indebtedness" means all Indebtedness (other than Interim Indebtedness) having an original maturity less than or equal to one year and not renewable at the option of a Credit Group Member for a term greater than one year from the date of original incurrence or issuance, or Indebtedness with a maturity greater than one year or renewable at the option of a Credit Group Member for a term greater than one year, if by the terms of such Indebtedness, for a period of at least twenty (20) consecutive days during each calendar year no Indebtedness is permitted to be Outstanding thereunder. For purposes of this definition, (a) only the stated maturity of Indebtedness (and not any tender or put right of the holder of such Indebtedness) shall be taken into account in determining if such Indebtedness constitutes Short-Term Indebtedness hereunder and (b) classification of Indebtedness as current or short-term under GAAP shall not be controlling. Interim Indebtedness shall not constitute Short-Term Indebtedness for any purpose under this Master Indenture.

State

"State" means the State of New York.

Subordinated Indebtedness

"Subordinated Indebtedness" means Long-Term Indebtedness specifically subordinated as to payment and security to the payment of all Required Payments and other obligations of the Credit Group Members under this Master Indenture.

Surviving Entity

"Surviving Entity" has the meaning set forth in Section 3.08.

Tax-Exempt Organization

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof that is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501 (a) of the Code (other than the tax on unrelated business income under Section 511 of the Code), or corresponding provisions of federal income tax laws from time to time in effect.

Total Revenues

"Total Revenues" means, for the period of calculation in question, the sum of total unrestricted revenue and other support (including net patient service revenue), other operating revenue, and net assets released from restrictions, as shown on the Credit Group Financial Statements for the most recent Fiscal Year.

Transaction Test

"Transaction Test" means, with respect to any specified transaction, that (a) no Event of Default or Default would exist; and (b) following such transaction, the Obligated Group could satisfy the conditions for the issuance of additional Long-Term Indebtedness equal to $1.00 set forth in Section 3.12(a), assuming that such transaction occurred at the start of the most recent Fiscal Year preceding such transaction for which Credit Group Financial Statements are available and taking into account any other action taken by the Credit Group in reliance upon the Transaction Test within the then current Fiscal Year.

UCC

"UCC" means the Uniform Commercial Code of the State, as amended from time to time.

Value

"Value," when used with respect to Property, means the aggregate value of all such Property, with each component of such Property valued, at the option of the Credit Group Representative, at either its Fair Market Value or its Book Value.

Variable Rate Indebtedness

"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.

Section 1.02. Interpretation.

(a) Any reference herein to any officer of a Credit Group Member shall include those succeeding to the functions, duties or responsibilities of such officer pursuant to or by operation of law or who are lawfully performing the functions of such officer.

(b) Unless the context otherwise indicates, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The singular shall include the plural and vice versa.

(c) Headings of Articles and Sections herein and the table of contents hereto are solely for convenience of reference, and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(d) Provisions calling for the redemption of Obligations do not mean or include the payment of Obligations at their stated maturity.

Section 1.03. References to Master Indenture. The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, used in this Master Indenture refer to this Master Indenture.

Section 1.04. Contents of Certificates and Opinions; Use of GAAP.

(a) Any such certificate or opinion provided for herein with respect to compliance with any provision hereof made or given by an officer of a Credit Group Member or the Master Trustee may be based, insofar as it relates to legal, accounting or health care matters, upon a certificate or opinion or representation of counsel, an Accountant or Independent Consultant unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or opinion may be based, as aforesaid, is erroneous. Any such certificate, opinion or representation made or given by counsel, an Accountant or an Independent Consultant, may be based, insofar as it relates to factual matters (with respect to which information is in the possession of any Credit Group Member) upon the certificate or opinion of, or representation by an officer of any Credit Group Member unless such counsel, Accountant or Independent Consultant knows that the certificate, opinion of or representation by such officer, with respect to the factual matters upon which such Person's certificate or opinion may be based, is erroneous. The same officer of any Credit Group Member or the same counsel or Accountant or Independent Consultant, as the case may be, need not certify as to all the matters required to be certified under any provision hereof, but different officers, counsel, Accountants or Independent Consultants may certify as to different matters.

(b) Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of this Master Indenture or of any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, such determination or computation shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the requirements hereof or of such agreement, document or certificate, in which case such agreement, document or certificate shall state that it was not done in accordance with GAAP in effect as of, in the sole discretion of the Credit Group Representative, (i) the date such determination or computation is made for any purpose of this Master Indenture, or (ii) the date of execution and delivery of this Master Indenture if the Credit Group Representative delivers an Officer's Certificate to the Master Trustee explaining the basis for such treatment (including, but not limited to, to exclude the effect of "FASB ASC Topic 842, Leases" relating to the treatment of leases formerly classified as operating leases under GAAP); provided, however, that intercompany balances and liabilities among the Credit Group Members shall be disregarded.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF MASTER INDENTURE OBLIGATIONS; MORTGAGES

Section 2.01. Authorization of Obligations. Each Obligated Group Member hereby authorizes to be issued from time to time Obligations or Series of Obligations, without limitation

as to amount, except as provided herein or as may be limited by law, and subject to the terms, conditions and limitations established herein and in any Related Supplement.

Section 2.02. Issuance of Obligations. From time to time when authorized by this Master Indenture and subject to the terms, limitations and conditions established in this Master Indenture or in a Related Supplement, the Credit Group Representative may authorize the issuance of an Obligation or a Series of Obligations by entering into a Related Supplement. The Obligation or the Obligations of any such Series may be issued and delivered to the Master Trustee for authentication upon compliance with the provisions hereof and of any Related Supplement.

Each Related Supplement authorizing the issuance of an Obligation or a Series of Obligations shall specify (a) the purposes for which such Obligation or Series of Obligations are being issued; (b) the form, title, designation, manner of numbering or denominations, if applicable, of such Obligations; (c) the date or dates of maturity or other final expiration of the term of such Obligations; the date of issuance of such Obligations; and (d) any other provisions deemed advisable or necessary by the Credit Group Representative. Each Related Supplement authorizing the issuance of an Obligation shall also specify and determine the principal amount of such Obligation (if any) for purposes of calculating the percentage of Holders of Obligations required to take actions or give consents pursuant to this Master Indenture (which, if such Obligation does not evidence or secure Indebtedness, shall be equal to zero, except with respect to any action that requires the consent of all of the Holders of Obligations or actions of the Holders pursuant to Article IV hereof). The designation of zero as a principal amount of an Obligation shall not in any manner affect the obligation of the Members to make Required Payments with respect to such Obligation.

Section 2.03. Appointment of Credit Group Representative. Each Obligated Group Member, by becoming an Obligated Group Member, irrevocably appoints the Credit Group Representative as its agent and attorney-in-fact and grants full power to the Credit Group Representative (a) to execute (i) Related Supplements authorizing the issuance of Obligations or Series of Obligations, (ii) Obligations and (iii) all security-related agreements, certificates, disclosure documents, filings, registrations and other instruments ancillary to the issuance of Obligations and in furtherance of their purposes, and (b) to bind such Obligated Group Member by making covenants or agreements on behalf of such Obligated Group Member.

Section 2.04. Execution and Authentication of Obligations.

(a) All Obligations shall be executed by an Authorized Representative of the Credit Group Representative for and on behalf of the Obligated Group as provided in the Related Supplement authorizing such Obligation. The signatures of such Authorized Representative may be mechanically or photographically reproduced on the Obligations. If any Authorized Representative whose signature appears on any Obligation ceases to be such Authorized Representative before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such Authorized Representative had remained in office until such delivery. Each Obligation shall be manually authenticated by an authorized signatory of the Master Trustee, and no Obligation shall be entitled to the benefits hereof without such authentication.

(b) The form of Certificate of Authentication to be printed on each Obligation and manually executed by an authorized signatory of the Master Trustee shall be as follows:

[FORM OF MASTER TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

The undersigned Master Trustee hereby certifies that this Obligation No. ___ is one of the Obligations described in the within mentioned Master Indenture.

Dated: _____

[Name of Master Trustee],
as Master Trustee

By _____
Authorized Signatory

Section 2.05. Conditions to the Issuance of Obligations. The issuance, authentication and delivery of any Obligation or Series of Obligations shall be subject to the following specific conditions:

(a) The Credit Group Representative and the Master Trustee shall have entered into a Related Supplement providing for the terms and conditions of such Obligations and the repayment thereof; and

(b) The Master Trustee receives an Officer's Certificate to the effect that:

(i) each Obligated Group Member is in full compliance with all warranties, covenants and agreements set forth in this Master Indenture and in any Related Supplement; and

(ii) neither an Event of Default nor any event which with the passage of time or the giving of notice or both would become an Event of Default has occurred and is continuing or would occur upon issuance of such Obligations under this Master Indenture or any Related Supplement; and

(iii) all requirements and conditions, if any, to the issuance of such Obligations set forth in the Related Supplement have been satisfied; and

(c) The Master Trustee receives an Opinion of Counsel, subject to customary qualifications and exceptions, to the effect that:

(i) such Obligations and Related Supplement have been duly authorized, executed and delivered by the Credit Group Representative on behalf of the

Obligated Group and constitute valid and binding obligations of the Obligated Group, enforceable in accordance with their terms; and

(ii) such Obligations are not subject to registration under the Securities Act of 1933, as, amended, and such Related Supplement is not subject to registration under the Trust Indenture Act of 1939, as amended (or that any such registration, if required, has occurred);

(d) The Credit Group Representative shall have delivered or caused to be delivered to the Master Trustee such opinions, certificates, proceedings, instruments and other documents as the Master Trustee may (but is not obligated to) reasonably request; and

(e) If such Obligation constitutes or secures Indebtedness, the requirements of Section 3.12 are satisfied.

Section 2.06. Mortgages.

(a) To secure their obligation to make Required Payments hereunder and their other obligations, agreements and covenants to be performed and observed hereunder, each Obligated Group Member hereby grants to the Master Trustee, by way of the Mortgages, a lien on the Mortgaged Property of which such Obligated Group Member is the owner.

(b) Upon written request of the Credit Group Representative, the Master Trustee shall execute and deliver such releases, subordinations, requests for reconveyance, termination statements, or other instruments as may be reasonably requested by the Credit Group Representative in connection with (1) the disposition of the Mortgaged Property in accordance with Section 3.11, (2) the withdrawal of an Obligated Group Member pursuant to Section 3.10, and (3) the granting by an Obligated Group Member of any Lien which constitutes a Permitted Lien that is not junior to the Lien granted to the Master Trustee, as certified to the Master Trustee in writing by the Credit Group Representative.

(c)

(i) The Master Trustee and the Obligated Group may agree to amendments to the Mortgages without the consent of or notice to any of the Holders for one or more of the following purposes:

(A) to cure ambiguity or formal defect or omission in the Mortgages and which shall not materially adversely affect the interests of the Holders; and

(B) to correct or supplement any provision in the Mortgages which may be inconsistent with any other provision in the Mortgages, or to make any other provisions with respect to matters or questions arising under the Mortgages and which shall not materially adversely affect the interests of the Holders.

(ii) The Master Trustee and the Obligated Group may agree to any other amendments to the Mortgages with the consent of the Holders of not less than a majority in aggregate principal amount of Outstanding Obligations.

(d) The Master Trustee shall also execute any consent, joinder, amendment, release, or other instrument required to be executed by the Master Trustee in its capacity as the mortgagee in order to: (i) allow, provide for, or release any Permitted Lien; (ii) subject any additional property of an Obligated Group Member to the lien of the Mortgages or modify, clarify, correct, or properly reflect the description of the property subject to the Mortgages; (iii) preserve the lien of the Mortgages or provide for the Mortgages (or replacement thereof); (iv) properly reflect the identities of the mortgagor or mortgagee; (v) release the lien of the Mortgages upon the discharge of this Master Indenture; or (vi) provide or execute estoppel certificates and nondisturbance agreements requested by the Credit Group Representative. The consent or approval of the Holders shall not be required in connection with items (i) through (vi) above. For purposes of determining whether the Master Trustee may execute any such consent, joinder, amendment, or other instrument, the Master Trustee may conclusively rely on an Officer's Certificate stating that: (x) the execution of such instrument is necessary or advisable in connection with the use, ownership, or operation of the Mortgaged Property; and (y) the execution and delivery of such instrument by the Master Trustee will not materially adversely affect the interests of the Holders. The Obligated Group shall pay (A) all costs of drafting, executing, recording, and filing, and (B) all other expenses and taxes (if any) applicable to or arising from any instruments described above and to be executed by the Master Trustee.

(e) Notwithstanding anything contained herein or in the Mortgages to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Master Trustee to liability under any environmental law, statute, regulation or similar requirement relating to the environment, the Master Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action.

Section 2.07. Substitution and Release of Mortgaged Property.

So long as there is not then an Event of Default, the Obligated Group may at any time substitute for any portion of the existing Mortgaged Property, any other real or personal property with an aggregate Appraised Value equal to or greater than the Appraised Value of the portion of the Mortgaged Property for which it is to be substituted; provided, however, that such substituted property (a) includes acute care hospital facilities housing an emergency department and the highest number of licensed acute care beds of any licensed facility of the Corporation, and (b) is not subject to any Liens other than Liens that are Permitted Liens for the Mortgaged Property. "Appraised Value" means a market value appraisal performed at the Obligated Group's expense by an independent M.A.I. appraiser selected by the Obligated Group, dated not more than one year prior to the date presented and accompanied by a bring-down letter from the appraiser, dated not more than one week prior to the date of substitution, to the effect that the condition and Appraised Value of the appraised property have not changed materially from the date of the appraisal. Any grant of substitute Mortgaged Property shall be accompanied by a mortgagee's policy of title insurance reasonably satisfactory to the Master Trustee and evidence reasonably satisfactory to the Master Trustee, in the form of zoning coverage in the title insurance policy or

an Opinion of Counsel, or both, that the substitute Mortgaged Property and any remaining Mortgaged Property meet applicable zoning requirements.

ARTICLE III

PAYMENTS WITH RESPECT TO MASTER INDENTURE OBLIGATIONS; DESIGNATED AFFILIATES; CREDIT GROUP COVENANTS

Section 3.01. Payment of Required Payments.

(a) Each Obligated Group Member jointly and severally covenants to promptly pay, or cause to be paid, all Required Payments at the place, on or before the dates and in the manner provided herein or in any Related Supplement or Obligation. Each Obligated Group Member acknowledges that the time of such payment and performance is of the essence of the Obligations hereunder. Each Obligated Group Member further covenants to faithfully observe and perform all of the conditions, covenants and requirements of this Master Indenture, any Related Supplement and any Obligation.

The obligation of each Obligated Group Member with respect to Required Payments shall not be abrogated, prejudiced or affected by:

(i) the granting of any extension, waiver or other concession given to any Obligated Group Member by the Master Trustee or any Holder or by any compromise, release, abandonment, variation, relinquishment or renewal of any of the rights of the Master Trustee or any Holder or anything done or omitted or neglected to be done by the Master Trustee or any Holder in exercise of the authority, power and discretion vested in them by this Master Indenture, or by any other dealing or thing that, but for this provision, might operate to abrogate, prejudice or affect such obligation; or

(ii) the liability of any other Obligated Group Member under this Master Indenture ceasing for any cause whatsoever, including the release of any other Obligated Group Member pursuant to the provisions of this Master Indenture or any Related Supplement; or

(iii) any Obligated Group Member's failing to become liable as, or losing eligibility to become, an Obligated Group Member with respect to an Obligation; or

(iv) the validity or sufficiency of consideration given to support the obligations of the Obligated Group Members under this Master Indenture.

Subject to the provisions of Section 3.10 hereof permitting withdrawal from the Obligated Group, the obligation of each Obligated Group Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid or deemed paid in full in accordance with Article VII hereof. All moneys from time to time received by the Credit Group Representative or the Master Trustee to reduce liability on Obligations, whether from or on account of the Obligated Group Members or otherwise, shall be regarded as payments in gross without any right on the part of any one or more of the Obligated Group Members to claim the benefit of any moneys so received until the whole of the amounts owing on Obligations

has been paid or satisfied and so that in the event of any such Obligated Group Member's filing a bankruptcy petition, the Credit Group Representative or the Master Trustee shall be entitled to prove up the total indebtedness or other liability on Obligations Outstanding as to which the liability of such Obligated Group Member has become fixed.

Each Obligation shall be a primary obligation of the Obligated Group Members and shall not be treated as ancillary to or collateral with any other obligation and shall be independent of any other security so that the covenants and agreements of each Obligated Group Member hereunder shall be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Credit Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement of each Obligated Group Member hereunder and to enforce the making of Required Payments. Each Obligated Group Member hereby authorizes each of the Credit Group Representative and the Master Trustee to enforce or refrain from enforcing any covenant or agreement of the Obligated Group Members hereunder or under any other contract or agreement pursuant to which the Credit Group Representative has made covenants by or on behalf of any such Obligated Group Member and to make any arrangement or compromise with any Obligated Group Member or Obligated Group Members as the Credit Group Representative or the Master Trustee may deem appropriate, consistent with this Master Indenture and any Related Supplement. Each Obligated Group Member hereby waives in favor of the Credit Group Representative and the Master Trustee all rights against the Credit Group Representative, the Master Trustee and any other Obligated Group Member, insofar as is necessary to give effect to any of the provisions of this Section.

Section 3.02. Transfers from Designated Affiliates. Each Controlling Member hereby covenants and agrees that it shall cause each of its Designated Affiliates to pay, loan or otherwise transfer to the Credit Group Representative such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of this Master Indenture, including, without limitation, the provisions of Section 3.01; provided, however, that nothing herein shall be construed to require any Controlling Member to cause its Designated Affiliate to pay, loan or otherwise transfer to the Credit Group Representative any amounts that constitute Restricted Moneys.

Section 3.03. Designation of Designated Affiliates.

(a) The Credit Group Representative by resolution of its Governing Body may from time to time designate Persons as Designated Affiliates. In connection with such designation, the Credit Group Representative shall designate for each Designated Affiliate an Obligated Group Member to serve as the Controlling Member for such Designated Affiliate. The Credit Group Representative shall at all times maintain an accurate and complete list of all Persons designated as Designated Affiliates (and of the Controlling Members for such Designated Affiliates). When, as and if the complement of Designated Affiliates changes, the Credit Group Representative shall file notice thereof and file such list with the Master Trustee (and any Related Bond Issuer that shall request such list in writing) within thirty (30) days of such change.

(b) Each Controlling Member shall cause each of its Designated Affiliates to provide to the Credit Group Representative a resolution of its Governing Body accepting such Person's designation as a Designated Affiliate and acknowledging the provisions of this Master Indenture that affect the Designated Affiliates. So long as such Person is designated as a Designated Affiliate, the Controlling Member of such Designated Affiliate shall either (i) maintain, directly or indirectly, control of such Designated Affiliate to the extent necessary to cause such Designated Affiliate to comply with the terms of this Master Indenture, whether through the ownership of voting securities, by contract, corporate membership, reserved powers or the power to appoint corporate members, trustees or directors, or otherwise, or (ii) execute and have in effect such contracts or other agreements that the Credit Group Representative and the Controlling Member, in the judgment of their respective Governing Bodies, deem sufficient for the Controlling Member to cause such Designated Affiliate to comply with the terms of this Master Indenture as they relate to Designated Affiliates.

(c) Each Controlling Member hereby covenants and agrees that it will, to the extent permitted by law, cause each of its Designated Affiliates to comply with any and all directives of the Controlling Member given pursuant to the provisions of this Master Indenture applicable to a Designated Affiliate.

(d) Any Person may cease to be a Designated Affiliate (and thus not subject to the terms of this Master Indenture) provided that prior to such Person ceasing to be a Designated Affiliate the Master Trustee receives:

(i) a resolution of the Governing Body of the Credit Group Representative declaring such Person no longer a Designated Affiliate; and

(ii) an Officer's Certificate to the effect that immediately following such Person ceasing to be a Designated Affiliate neither a Default nor an Event of Default would exist by reason of such Person ceasing to be a Designated Affiliate.

Section 3.04. Covenants of Corporate Existence, Maintenance of Properties, Etc. Each Obligated Group Member agrees, and each Controlling Member agrees to cause each of its Designated Affiliates:

(a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and to be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualification; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or useful in the conduct of its business or affairs.

(b) At all times to cause its Property, Plant and Equipment to be maintained, preserved and kept in good repair, working order and condition, reasonable wear and tear excepted, 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 immaterial portion of its Property, Plant and Equipment, (ii) prevent it from ceasing to operate any material portion of its Property, Plant and Equipment if in its

judgment it is advisable not to operate the same, or (iii) obligate it to retain, preserve, repair, renew or replace any Property, Plant and Equipment no longer used or useful in the conduct of its business.

(c) To procure and maintain all necessary licenses and permits necessary, in the judgment of its Governing Body, to the operation of its health care Property and the status of its health care Property (other than that not currently having such status or not having such status on the date a Person becomes a Credit Group Member) as providers of health care services eligible for payment under those third party payment programs that its Governing Body determines are appropriate; provided, however, that it need not comply with this subsection 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.

Section 3.05. Gross Receivables Pledge.

(a) To secure their obligation to make Required Payments hereunder and their other obligations, agreements and covenants to be performed and observed hereunder, each Obligated Group Member hereby grants to the Master Trustee security interests in the Gross Receivables.

(b) This Master Indenture shall be deemed a "security agreement" for purposes of the UCC.

(c) The Master Trustee's security interest in the Gross Receivables shall be perfected, to the extent that such security interest may be so perfected, by the filing of financing statements that comply with the requirements of the UCC. Each Member (or the Credit Group Representative on such Member's behalf) shall cause to be filed, in accordance with the requirements of the UCC, financing statements; and, from time to time thereafter, shall execute and deliver such other documents (including, but not limited to, continuation statements as required by the UCC) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain perfected such security interests or give public notice thereof.

(d) Upon written request from the Credit Group Representative, the Master Trustee shall take all procedural steps necessary to effect the subordination of its security interest in the Gross Receivables granted herein to security interests constituting Permitted Liens.

(e) Each Obligated Group Member shall notify the Master Trustee of any change of name and change of address of its chief executive office to enable a new appropriate financing statement or an amendment to be filed in accordance with the requirements of the UCC, in order to maintain the perfected security interest granted herein.

Section 3.06. Against Encumbrances.

(a) Each Member has granted security interests in the Gross Receivables. The Corporation and each other Member, respectively, agrees to execute and deliver such other agreements as may be necessary from time to time to grant to the Master Trustee a security interest in the Gross Receivables, subject only to Permitted Liens.

(b) Each Obligated Group Member agrees that it will not, and will cause its Designated Affiliates (if such Obligated Group Member is a Controlling Member) to not, create or suffer to be created or permit the existence of any Lien upon the Gross Receivables and Property now owned or hereafter acquired by it other than Permitted Liens. Each Obligated Group Member, respectively, further covenants and agrees that if such a Lien (other than a Permitted Lien) is nonetheless created by someone other than an Obligated Group Member and is assumed by any Obligated Group Member, the Credit Group Representative will make or cause to be made effective a provision whereby all Obligations will be secured prior to any such Indebtedness or other obligation secured by such Lien.

(c) Upon written request of the Credit Group Representative, the Master Trustee shall execute and deliver such releases, subordinations, requests for reconveyance, termination statements or other instruments as may be reasonably requested by the Credit Group Representative in connection with (i) the disposition of Property in accordance with the provisions of Section 3.11 and the applicable provisions of any Related Supplement, (ii) the withdrawal of a Member pursuant to Section 3.10 and the applicable provisions of any Related Supplement and (iii) the granting by a Credit Group Member of any Lien which constitutes a Permitted Lien hereunder, as certified to the Master Trustee in writing by the Credit Group Representative.

Section 3.07. Debt Service Coverage.

(a) Each Obligated Group Member agrees that the Debt Service Coverage Ratio shall be not less than 1.10:1.00 for each Fiscal Year, commencing with the Fiscal Year ending December 31, 2018, provided that an Event of Default shall occur only if (i) the Obligated Group fails to reasonably comply with the requirements of subsections (b) through and including (d) below, or (ii) the Debt Service Coverage Ratio for any two consecutive Fiscal Years is less than 1.00:1.00.

(b) The Credit Group Representative covenants that, if the Debt Service Coverage Ratio, as calculated as of the end of any Fiscal Year is less than 1.10:1.00, it will cause to be retained an Independent Consultant to make recommendations to increase Income Available for Debt Service for subsequent Fiscal Years to the levels required or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest practicable level. The Credit Group Representative agrees to transmit a copy thereof to the Master Trustee within twenty (20) days of the receipt of such recommendations. Each Obligated Group Member, respectively, agrees that it will, to the extent permitted by law, substantially follow the recommendations of the Independent Consultant or file with the Master Trustee its reasons for not following the recommendations. In no event may the Debt Service Coverage Ratio for any two consecutive Fiscal Years be less than 1.00:1.00.

(c) If the Credit Group substantially complies with the recommendations of the Independent Consultant, as applicable under subsection (b), respectively, hereof, the Credit Group will be deemed to have complied with the covenants set forth in this Section for such Fiscal Year, notwithstanding that the Debt Service Coverage Ratio shall be less than 1.10:1.00; provided, however, that the Debt Service Coverage Ratio shall not be reduced to less than 1.00:1.00 for any two consecutive Fiscal Years. Notwithstanding the foregoing, the Credit

Group Members shall not be excused from taking any action or performing any duty required under this Master Indenture and no other Event of Default shall be waived by the operation of the provisions of this subsection (c).

(d) If a report of the Credit Group Representative or an Independent Consultant is delivered to the Master Trustee and the Related Bond Issuers, which report shall state that Government Restrictions or Industry Restrictions have been imposed that make it impossible for the Income Available for Debt Service to satisfy the requirement of subsection (a) hereof, then the required amount of Income Available for Debt Service shall be reduced to the maximum coverage permitted by such Government Restrictions or Industry Restrictions but in no event less than an amount to pay the Annual Debt Service on all Indebtedness of the Credit Group for such Fiscal Year; but in no event may the Debt Service Coverage Ratio for any two consecutive Fiscal Years be less than 1.00:1.00.

(e) Notwithstanding the foregoing, an Obligated Group Member may permit the rendering of services or the use of its Property without charge or at reduced charges, at the discretion of the Governing Body of such Obligated Group Member, to the extent necessary for maintaining its tax-exempt status or the tax-exempt status of its Property, Plant and Equipment or its eligibility for grants, loans, subsidies or payments from governmental entities, or in compliance with any recommendation for free services or services for advanced fees that may be made by an Independent Consultant.

Section 3.08. Merger, Consolidation, Sale or Conveyance. Each Obligated Group Member covenants that it will not merge or consolidate with any other Person that is not an Obligated Group Member or sell or convey all or substantially all of its assets to any Person that is not an Obligated Group Member (a "Merger Transaction") unless:

(a) After giving effect to the Merger Transaction,

(i) the successor or surviving entity (hereinafter, the "Surviving Entity") is an Obligated Group Member, or

(ii) the Surviving Entity shall

(A) be a corporation or other entity organized and existing under the laws of the United States of America or any state thereof, and

(B) prior to or simultaneously with the merger, become an Obligated Group Member pursuant to Section 3.09 and, pursuant to the Related Supplement required by Section 3.09(b), shall expressly assume in writing the due and punctual payment of all Required Payments of the disappearing Obligated Group Member hereunder and its joint and several obligation with respect to Obligations;

(b) The Master Trustee receives an Officer's Certificate to the effect that the Transaction Test is satisfied in connection with the Merger Transaction;

(c) So long as any Related Conduit Issuer Bonds that are tax-exempt obligations are Outstanding, the Master Trustee receives an Opinion of Bond Counsel to the

effect that, under then existing law, the consummation of the Merger Transaction, in and of itself, would not result in the inclusion of interest on such Related Conduit Issuer Bonds in gross income for purposes of federal income taxation;

(d) The Master Trustee receives an Opinion of Counsel, subject to customary qualifications and exceptions, to the effect that (i) all conditions in this Section 3.08 relating to the Merger Transaction have been complied with; (ii) the Surviving Entity meets the conditions set forth in this Section 3.08 and in all Obligations then Outstanding; (iii) the Merger Transaction will not adversely affect the validity of any Obligations then Outstanding and such Obligations then Outstanding are enforceable against the Surviving Entity in accordance with their respective terms; and (iv) the Merger Transaction will not cause the Master Indenture or any Obligations to be subject to registration under federal or state securities laws or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred); and

(e) The Surviving Entity shall be substituted for its predecessor in interest in all Obligations and agreements then in effect that affect or relate to any Obligation, and the Surviving Entity shall execute and deliver to the Master Trustee appropriate documents in order to effect the substitution.

From and after the effective date of such substitution (as set forth in the above-mentioned documents), the Surviving Entity shall be treated as an Obligated Group Member and shall thereafter have the right to participate in transactions hereunder relating to Obligations to the same extent as the other Obligated Group Members. All Obligations issued hereunder on behalf of a Surviving Entity shall have the same legal rank and benefit under this Master Indenture as Obligations issued on behalf of any other Obligated Group Member.

Section 3.09. Membership in Obligated Group. Additional Obligated Group Members may be added to the Obligated Group from time to time, provided that prior to such addition the Master Trustee receives:

(a) a copy of a resolution of the Governing Body of the proposed new Obligated Group Member that authorizes the execution and delivery of a Related Supplement and compliance with the terms of this Master Indenture; and

(b) a Related Supplement executed by the Credit Group Representative, the new Obligated Group Member and the Master Trustee pursuant to which the proposed new Obligated Group Member:

(i) agrees to become an Obligated Group Member, and

(ii) agrees to be bound by the terms of this Master Indenture, the Related Supplements and the Obligations, and

(iii) irrevocably appoints the Credit Group Representative as its agent and attorney-in-fact and grants to the Credit Group Representative the requisite power and authority to execute Related Supplements authorizing the issuance of Obligations or Series of Obligations and to execute and deliver Obligations, and

(c) an Opinion of Counsel, subject to customary qualifications and exceptions, to the effect that (i) the proposed new Obligated Group Member has taken all necessary action to become an Obligated Group Member, and upon execution of the Related Supplement, such proposed new Obligated Group Member will be bound by the terms of this Master Indenture, (ii) the addition of such Obligated Group Member would not adversely affect the validity of any Obligation then Outstanding and (iii) the addition of such Obligated Group Member will not cause the Master Indenture or any Obligations to be subject to registration under federal or state securities laws or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred); and

(d) an Officer's Certificate to the effect that immediately after the addition of the proposed new Obligated Group Member, the Transaction Test would be satisfied; and

(e) so long as any Related Conduit Issuer Bonds that are tax-exempt obligations are Outstanding, an Opinion of Bond Counsel to the effect that the addition of the proposed new Obligated Group Member will not, in and of itself, result in the inclusion of interest on any Related Conduit Issuer Bonds in gross income for purposes of federal income taxation.

Section 3.10. Withdrawal from Obligated Group. The Corporation may not withdraw from the Obligated Group. Any other Obligated Group Member may withdraw from the Obligated Group and be released from further liability or obligation under the provisions of this Master Indenture, provided that prior to such withdrawal the Master Trustee receives:

(a) an Officer's Certificate to the effect that the Credit Group Representative has approved the withdrawal of such Obligated Group Member;

(b) an Officer's Certificate to the effect that immediately following the withdrawal of such Obligated Group Member, the Transaction Test would be satisfied; and

(c) an Opinion of Counsel, subject to customary qualifications and exceptions, to the effect that (i) the withdrawal of such Obligated Group Member would not adversely affect the validity of any Obligation then Outstanding and (ii) the withdrawal of such Obligated Group Member will not cause the Master Indenture or any Obligations to be subject to registration under federal or state securities laws or the Trust Indenture Act of 1939, as amended.

Upon compliance with the conditions contained in this Section 3.10, the Master Trustee shall execute any documents reasonably requested by the withdrawing Obligated Group Member to evidence the termination of such Obligated Group Member's obligations hereunder, under all Related Supplements and under all Obligations, and shall execute and deliver such releases, subordinations, requests for reconveyance, termination statements or other instruments as may be reasonably requested by the Credit Group Representative pursuant to Section 3.06(c).

Section 3.11. Limitation on Disposition of Assets.

(a) Each Obligated Group Member covenants that it will not, and each Controlling Member agrees that it will not permit its Designated Affiliates to, sell, lease or otherwise dispose of any part of its Property in any Fiscal Year (other than (A) in the ordinary

course of business or in compliance with the requirements imposed on any asset upon its acquisition, or (B) as part of a disposition of all or substantially all of its assets as permitted by Section 3.08, or (C) to another Obligated Group Member or Designated Affiliate), with a value in excess of 5% of the Property of the Obligated Group, unless:

(i) such Property is inadequate, obsolete, unsuitable, undesirable or unnecessary for the operation and functioning of the primary health care operations of the Credit Group Members; or

(ii) the disposition is for Fair Market Value; or

(iii) prior to such disposition there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that such Property is being transferred to a Person who is not an Obligated Group Member but such Person shall become a Member pursuant to Section 3.09 coincidental to such transfer; or

(iv) prior to such disposition there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that the Property transferred pursuant to this subsection (iv) was transferred at fair and reasonable terms, no less favorable to the Credit Group Member, which could have been attained in a comparable arms-length transaction; or

(v) prior to such disposition there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that the transaction would constitute and be treated as a true sale-leaseback under GAAP; or

(vi) the transfer is to any affiliate physician group practice and is used solely to support commercially reasonable salary and benefits of physician employees of such group practice; or

(vii) prior to such disposition there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that such Property is being transferred to an entity controlled by, under common control with, or contractually affiliated with, one or more Credit Group Members for establishing, capitalizing, and maintaining a program of insurance that provides insurance coverage to one or more Credit Group Members, provided that prior to such transfer, an Insurance Consultant shall have issued a report stating that the establishment of such insurance and the proposed funding thereof are consistent with reasonable insurance practices; which transferee entity may be organized under the laws of any jurisdiction or nation and which may include an entity providing insurance to entities other than Credit Group Members.

(b) Notwithstanding the foregoing, nothing shall prohibit any disposition of assets among Credit Group Members nor shall prohibit any Credit Group Member from: (i) making loans, including, without limitation, employee relocation loans, physician recruitment loans or other credit/funding extensions, provided that such loans or other credit/funding extensions are in writing and (x) such loans are in furtherance of the exempt purposes of the Credit Group Member (if it is a Tax-Exempt Organization) or (y) the Credit Group Member reasonably expects such loans to be repaid and such loans bear interest at a reasonable rate of interest and on commercially reasonable terms; or (ii) transferring gifts restricted to a purpose

inconsistent with their use for the payment of debt service on Obligations or operating expenses to a Person that has the purpose to receive and use or disburse such restricted gifts.

Section 3.12. Limitation on Indebtedness. Each Obligated Group Member covenants that it will not, and each Controlling Member covenants that it will not permit its Designated Affiliates to, incur any Indebtedness except that the Obligated Group Members and Designated Affiliates may incur the following Indebtedness:

(a) Long-Term Indebtedness, if prior to the date of incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee an Officer's Certificate to the effect that:

(i) the Debt Service Coverage Ratio for the most recent Fiscal Year for which Credit Group Financial Statements are available with respect to all Long-Term Indebtedness then Outstanding at the time of such certification and the additional Long-Term Indebtedness to be incurred, but excluding any Long-Term Indebtedness to be refunded with the proceeds of said additional Long-Term Indebtedness to be incurred, was not less than 1.20:1.00; or

(ii) (A) the Debt Service Coverage Ratio for the most recent Fiscal Year (excluding the additional Long-Term Indebtedness to be incurred) was not less than 1.20:1.00 and (B) the Debt Service Coverage Ratio for the Fiscal Year beginning with the Fiscal Year commencing after the estimated completion of the facilities to be financed by the Indebtedness to be incurred with respect to all Long-Term Indebtedness projected to be outstanding (including the additional Long-Term Indebtedness to be incurred but excluding any Long-Term Indebtedness to be refunded with the proceeds of said additional Long-Term Indebtedness to be incurred), is projected to be not less than 1.35:1.00. Notwithstanding the foregoing, if the Master Trustee receives a report of an Independent Consultant to the effect that Government Restrictions or Industry Restrictions prevent the Credit Group Members from generating the required levels of Income Available for Debt Service sufficient to result in a Debt Service Coverage Ratio of not less than 1.35:1.00, the 1.35:1.00 ratio requirement described in this subsection (a)(ii) shall be reduced to a ratio of not less than 1.00:1.00; or

(iii) the forecasted Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness proposed to be incurred, for the first complete Fiscal Year succeeding the date on which the proposed Long-Term Indebtedness is to be incurred, is not less than 1.30:1.00, as shown by forecasted statements of revenues and expenses for each such Fiscal Year, accompanied by a statement of the relevant assumptions upon which such forecasted statements are based.

(b) Completion Indebtedness without limitation provided that an Officer's Certificate is delivered to the Master Trustee stating that the Credit Group Representative reasonably expected the aggregate principal amount of Long-Term or Interim Indebtedness originally issued to finance the construction or equipping of the project for which such Completion Indebtedness is being incurred, together with other funds reasonably anticipated to be available for such purposes, to be fully sufficient to provide a completed and fully equipped facility of the type and scope contemplated at the time said Long-Term Indebtedness or Interim

Indebtedness was originally incurred, and in accordance with the general plans and specifications for such facility as originally prepared and approved in connection with the related financing, modified or amended only in conformance with the provisions of the documents pursuant to which the related financing was undertaken.

(c) Short-Term Indebtedness provided that the provisions described in subsection (a) above are satisfied calculated as if such Short-Term Indebtedness was Long-Term Indebtedness or an Officer's Certificate is delivered to the Master Trustee stating that:

(i) the total amount of such Short-Term Indebtedness shall not exceed twenty percent (20%) of Total Revenues; and

(ii) In every Fiscal Year, there shall be at least a consecutive twenty (20) day period when the balances of such Short-Term Indebtedness (excluding Short-Term Indebtedness consisting of commercial paper that is intended to be refinanced with additional commercial paper) is reduced to an amount that shall not exceed five percent (5%) of Total Revenues.

(d) Nonrecourse Indebtedness without limitation.

(e) Long-Term Indebtedness, if such Long-Term Indebtedness is issued or incurred to refund Long-Term Indebtedness and the Master Trustee receive an Officer's Certificate to the effect that the issuance of such Long-Term Indebtedness would not increase Maximum Annual Debt Service by more than ten percent (10%).

(f) Subordinated Indebtedness without limitation.

(g) Reimbursement or other repayment obligations under reimbursement agreements or similar agreements relating to credit facilities and/or liquidity facilities that provide credit support and/or liquidity for Indebtedness or for Financial Products Agreements.

(h) Indebtedness incurred in connection with (i) the $685,150,000 Dormitory Authority of the State of New York Montefiore Medical Center Obligated Group Revenue Bonds, Series 2018A and 2018B or (ii) the $481,950,000 Montefiore Obligated Group Taxable Bonds, Series 2018C.

(i) Indebtedness to any Credit Group Member.

(j) Pre-existing Indebtedness of a Member assumed in connection with Section 3.08.

(k) Indebtedness incurred for the purpose of funding a debt service reserve fund established in connection with any series of Related Conduit Issuer Bonds or any other Obligation.

(l) Any other Indebtedness, provided that an Officer's Certificate is delivered to the Master Trustee stating that the aggregate principal amount of such Indebtedness, together with the aggregate principal amount of Indebtedness incurred pursuant to the provisions of

subsection (c) of this Section 3.12, does not, as of the date of incurrence, exceed 10% of Total Revenues.

Indebtedness incurred pursuant to any one of the subsections of this Section 3.12 may be reclassified as Indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Section 3.13. Filing of Financial Statements, Certificate of No Default, Other Information.

(a) The Credit Group Representative covenants and agrees that it will furnish to the Master Trustee financial statements:

(i) As soon as practicable, but in no event more than 150 days after the last day of each Fiscal Year, one or more financial statements that, in the aggregate, shall include the Material Credit Group Members. Such financial statement shall constitute the "Credit Group Financial Statements." Such financial statements:

(A) may, at the election of the Credit Group Representative, consist either of (1) consolidated or combined financial results of the Credit Group Members and prepared in accordance with GAAP or (2) similarly prepared special purpose financial statements including only Credit Group Members;

(B) shall be audited by an Accountant as having been prepared in accordance with GAAP (except in the case of special purpose financial statements);

(C) shall include a consolidated or combined balance sheet, statement of operations and changes in net assets; and

(D) if more than one financial statement is delivered to the Master Trustee pursuant to this subsection (a)(i), or if a single financial statement is delivered that includes Persons other than Credit Group Members and Immaterial Affiliates and such other Credit Group Members and Immaterial Affiliates represent more than twenty percent (20%) of the Total Revenues of the entities included in such financial statements (considered in aggregate), then each such financial statement shall contain, as "other financial information," a combining or consolidating schedule from which financial information solely relating to the Credit Group Members and Immaterial Affiliates may be derived.

(ii)

(A) If a special purpose financial statement containing information solely related to the Credit Group Members (which may, but need not, include any Immaterial Affiliates) is delivered pursuant to clause (a)(i)(A) above, then such financial statement shall constitute the "Credit Group Financial Statements" if deemed to be as such by the Credit Group Representative for the purposes of meeting that specific submission.

(B) If a single financial statement containing information related solely to the Credit Group Members and, at the option of the Credit Group Representative, any Immaterial Affiliates is not delivered pursuant to clause (a)(i) above, the Credit Group Representative shall prepare an unaudited balance sheet and statement of operations for such Fiscal Year. The unaudited financial statements shall be prepared as soon as practicable, but in no event more than 150 days after the last day of each Fiscal Year beginning with the Fiscal Year ending December 31, 2018, and shall be based on the accompanying unaudited combining or consolidating schedules delivered with the audited financial statements described in clause (a)(i)(D) above. The unaudited financial statements prepared in accordance with this clause (ii)(B) shall be the "Credit Group Financial Statements."

(C) The Credit Group Financial Statements:

(1) shall include all Material Credit Group Members;

(2) at the option of the Credit Group Representative, may, but need not, include one or more Immaterial Affiliates as provided in subsection (b) below;

(3) at the option of the Credit Group Representative, may exclude one or more Credit Group Members that are not Material Credit Group Members; and

(4) shall exclude all combined or consolidated entities that are neither Credit Group Members nor Immaterial Affiliates.

(iii) At the time of the delivery of the Credit Group Financial Statements, an Officer's Certificate of the Credit Group Representative, stating that no event that constitutes an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken to cure such Event of Default.

(b) Notwithstanding the foregoing, the submission of the Corporation's consolidated financial statements shall be in full satisfaction of any requirement under this or other Sections of this Master Indenture to submit Credit Group Financial Statements as defined herein in this Section 3.13 for so long as the Corporation is the sole Member of the Obligated Group.

(c) Notwithstanding the foregoing, the results of operations and financial position of Immaterial Affiliates need not be excluded from financial statements delivered to the Master Trustee pursuant to this Section, and such results of operation and financial position may be considered as if they were a portion of the results of operation and financial position of the Credit Group Members for all purposes of this Master Indenture notwithstanding the inclusion of the results of operation and financial position of such Immaterial Affiliates.

(d) The Master Trustee shall have no duty to review, verify or analyze such financial statements and shall hold such financial statements solely as a repository for the benefit of the Holders. The Master Trustee shall not be deemed to have notice of any information

contained in such financial statements or event of default that may be disclosed therein in any manner.

Section 3.14. Days Cash on Hand.

The Obligated Group shall maintain Days Cash on Hand of at least forty-five (45) days at the end of each Fiscal Year. Within one hundred fifty (150) days after the end of each Fiscal Year, the Obligated Group shall furnish to the Master Trustee an Officer's Certificate stating, based on calculations shown in such Officer's Certificate, that the requirement of the foregoing sentence was met at the end of the Fiscal Year, calculated as of the end of such Fiscal Year based on the Credit Group Financial Statements for such Fiscal Year. If the Days Cash on Hand, as so calculated at the end of any Fiscal Year, is less than forty-five (45) days, the Obligated Group covenants to retain an Independent Consultant to make recommendations to increase the Days Cash on Hand for subsequent Fiscal Years to the levels required or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest practicable level. Each Member of the Obligated Group, respectively, agrees that it will, to the extent permitted by law and subject to any applicable governmental regulations, contractual, third-party payor, fiduciary and other restrictions and limitations on its legal authority, substantially follow the recommendations of the Independent Consultant or file with the Master Trustee its reasons for not following the recommendations. So long as the Obligated Group shall retain an Independent Consultant and each Member of the Obligated Group shall follow such Independent Consultant's recommendations except as set forth above, this Section shall be deemed to have been complied with even if the Days Cash on Hand for any subsequent Fiscal Year is less than 45. If at the end of any Fiscal Year the Days Cash on Hand is less than 45, the Obligated Group will not be required to retain an Independent Consultant to make such recommendations if a written report of an Independent Consultant is filed with the Master Trustee which contains an opinion of such Independent Consultant that (i) applicable laws or regulations have prevented the maintenance of 45 Days Cash on Hand, (ii) the Members of the Obligated Group have generated the maximum amount of Income Available for Debt Service which in the opinion of such Independent Consultant could reasonably have been generated given such laws and regulations during the period affected thereby and (iii) the Days Cash on Hand actually achieved was at least 30. The Obligated Group shall not be required to cause the Independent Consultant's report referred to in this paragraph to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group provides to the Master Trustee (who shall provide a copy to each Holder, Related Bond Trustee and Related Bond Issuer) an Opinion of Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that the applicable laws and regulations underlying the Independent Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way. Notwithstanding any provision of this Section 3.14 to the contrary, if at the end of any Fiscal Year the Days Cash on Hand is less than 30, then the Obligated Group shall be deemed to be in default hereunder.

Section 3.15. Substitution of Master Trust Indenture.

Notwithstanding anything in this Master Indenture to the contrary, each then-Outstanding Obligation may, upon the request of the Credit Group Representative (and without the consent of

any Holder) and the satisfaction of all terms and conditions described below, be substituted with an original replacement note or notes or similar obligations (collectively, a "Replacement Note") issued by an obligated issuer or group of obligated issuers or other obligated entities (collectively, the "New Obligated Group") under and pursuant to and secured by a master trust indenture or another agreement or agreements pursuant to which entities may become jointly and severally liable on specified obligations and which provide that financial and operational covenants be measured on the basis of the results of the entities that are party to such agreement or agreements (the "New Master Indenture") executed by the New Obligated Group and an independent corporate trustee (the "New Master Trustee"), upon receipt by the Master Trustee of the following:

(a) (i) if the Master Trustee receives written confirmation from each Rating Agency then rating each series of Related Conduit Issuer Bonds that, upon consummation of the proposed transaction, the ratings on each such series of Related Conduit Issuer Bonds (without regard to any credit enhancement of each such series of Related Conduit Issuer Bonds) by each Rating Agency then rating each series of Related Conduit Issuer Bonds will be no less than "A2" or "A" or its equivalent as a result of the execution of the New Master Indenture and the substitution of each then-Outstanding Obligation with a Replacement Note (a "Rating Upgrade"), then an Officer's Certificate certifying that (A) after giving effect to each such Replacement Note and assuming that the New Obligated Group constituted the Obligated Group under the original Master Indenture, the New Obligated Group could demonstrate compliance with the Transaction Test, assuming the incurrence of $1.00 of additional Indebtedness and (B) the New Master Indenture contains a pledge of Gross Receivables substantially similar to the pledge of Gross Receivables under the original Master Indenture as of the date thereof; provided, however, that in the event that the Master Trustee receives written confirmation from each Rating Agency then rating each series of Related Conduit Issuer Bonds that, upon consummation of the proposed transaction, the ratings on each such series of Related Conduit Issuer Bonds (without regard to any credit enhancement of each such series of Related Conduit Issuer Bonds) by each Rating Agency then rating each series of Related Conduit Issuer Bonds will be no less than "AA-" or its equivalent as a result of the execution of the New Master Indenture and the substitution of each then-Outstanding Obligation with a Replacement Note, then a Gross Receivables pledge shall not be necessary; or

(ii) if the Master Trustee does not receive written confirmation from each Rating Agency then rating each series of Related Conduit Issuer Bonds of a Rating Upgrade, then (A) written confirmation from each Rating Agency then rating each series of Related Conduit Issuer Bonds that, upon consummation of the proposed transaction, the ratings on each such series of Related Conduit Issuer Bonds (without regard to any credit enhancement of each such series of Related Conduit Issuer Bonds) will not be decreased or withdrawn (including instances in which the Rating Category level remains unchanged but the rating modifier (such as "+" or "-") is decreased as a result of the entry into the New Master Indenture and the substitution of each then-Outstanding Obligation with a Replacement Note, but not including instances in which the outlook alone is decreased), (B) an Officer's Certificate certifying that after giving effect to each such Replacement Note and assuming that the New Obligated Group constituted the Obligated Group under the original Master Indenture, the New Obligated Group could demonstrate compliance with the Transaction Test, assuming the incurrence of $1.00 of additional Indebtedness, and (C) an Officer's Certificate confirming that

(1) the New Master Indenture contains (x) a pledge of Gross Receivables substantially similar to the pledge of Gross Receivables in the original Master Indenture as of the date thereof, and (y) affirmative and negative covenants that are materially consistent with the covenants described herein under Sections 3.06 (Against Encumbrances), 3.07 (Debt Service Coverage), and 3.11 (Limitation on Disposition of Assets) as of the date of the original Master Indenture (except for modifications to such covenants in accordance with Section 6.01), and (2) the Mortgages, or mortgages substantially similar thereto in all material respects, will secure obligations issued under the New Master Indenture;

(b) an original executed counterpart of the New Master Indenture;

(c) an original Replacement Note for each then-Outstanding Obligation issued by or on behalf of the New Obligated Group under and pursuant to and secured by the New Master Indenture, which Replacement Note has been duly authenticated by the New Master Trustee under the terms of the New Master Indenture;

(d) an Opinion of Counsel addressed to the Master Trustee to the effect that: (1) the New Master Indenture has been duly authorized, executed and delivered by each member of the New Obligated Group, each Replacement Note has been duly authorized, executed and delivered by or on behalf of the New Obligated Group and the New Master Indenture and each Replacement Note are each a legal, valid and binding obligation of each member of the New Obligated Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and to any other exceptions set forth in the original Master Indenture; (2) all requirements and conditions to the issuance of each Replacement Note set forth in the New Master Indenture have been complied with and satisfied; and (3) registration of each Replacement Note under the Securities Act of 1933, as amended, is not required; and

(e) an Opinion of Bond Counsel to the effect that the surrender of each Obligation and the acceptance of each Replacement Note will not adversely affect the validity of any series of Related Conduit Issuer Bonds or any exemption for the purposes of federal income taxation to which interest on each series of Related Conduit Issuer Bonds would otherwise be entitled.

Upon receipt of the items described above, the Master Trustee will mail to each Holder notice that the requirements described above have been satisfied and that each Obligation has been replaced with a Replacement Note, and direct such Holder to surrender the applicable Obligation to the Master Trustee for cancellation in exchange for a Replacement Note. Upon receipt of such notice from the Master Trustee, the Holders of all Obligations are required to surrender the Obligations to the Master Trustee for cancellation in exchange for a Replacement Note. Following the surrender of the Obligations, and satisfaction of the conditions set forth above in this Section 3.145, and receipt of security and indemnity satisfactory to the Master Trustee, the Master Trustee shall cancel the Obligations and this Master Indenture shall terminate. Then and thereafter, Holders shall no longer be entitled to any rights and remedies under this Master Indenture, but shall have all of the rights and remedies granted under the New Master Indenture. Upon the release of this Master Indenture, the Master Trustee shall provide written notice thereof to the Holders of all Obligations.

ARTICLE IV

DEFAULTS

Section 4.01. Events of Default. Each of the following events shall be an Event of Default hereunder:

(a) Failure on the part of the Obligated Group Members to make due and punctual payment of the principal of, redemption premium, if any, interest on or any other Required Payment on any Obligation

(b) Failure on the part of the Obligated Group Members to attain a Debt Service Coverage Ratio of at least 1.00:1.00 for any two consecutive Fiscal Years.

(c) Any Obligated Group Member shall fail to observe or perform any other covenant or agreement under this Master Indenture (including covenants or agreements contained in any Related Supplement or Obligation) and shall not have cured such failure within sixty (60) days after the date on which written notice of such failure, requiring the failure to be remedied, shall have been given to the Credit Group Representative by the Master Trustee or to the Credit Group Representative and the Master Trustee by the Holders of 25% in aggregate principal amount of Outstanding Obligations (provided that if such failure can be remedied but not within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Credit Group Representative or Obligated Group Members shall diligently proceed to remedy the failure).

(d) Any Obligated Group Member shall default in the payment of Indebtedness (other than (i) Subordinated Indebtedness, (ii) Nonrecourse Indebtedness, and (iii) Indebtedness secured by an Obligation, which shall be governed by subsection (a) of this Section) in an aggregate outstanding principal amount equal to the greater of one percent (1%) of the aggregate principal amount of Total Revenues of the Credit Group, and any grace period for such payment shall have expired; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if, within sixty (60) days or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, (x) any Obligated Group Member in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (y) sufficient moneys are deposited in escrow with a bank or trust company or a bond acceptable to the Master Trustee is posted for the payment of such Indebtedness.

(e) A court having jurisdiction shall enter a decree or order for relief in respect of any Obligated Group Member in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of any Obligated Group Member or for any substantial part of the Property of any Obligated Group Member, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days.

(f) Any Obligated Group Member shall commence a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or 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, sequestrator (or similar official) of any Obligated Group Member or for any substantial part of its Property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of the foregoing.

(g) An event of default shall exist under any Related Bond Indenture.

Section 4.02. Acceleration; Annulment of Acceleration.

(a) Upon the occurrence and during the continuation of an Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Outstanding Obligations shall, by notice to the Credit Group Representative, declare all Outstanding Obligations immediately due and payable. Upon such declaration of acceleration, all Outstanding Obligations shall be immediately due and payable. If the terms of any Related Supplement give a Person the right to consent to acceleration of the Obligations issued pursuant to such Related Supplement, the Obligations issued pursuant to such Related Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Related Supplement. In the event of acceleration, an amount equal to the aggregate principal amount of all Outstanding Obligations, plus all interest accrued thereon and, to the extent permitted by applicable law, that accrues on such principal and interest to the date of payment, and all other amounts due thereunder, shall be due and payable on the Obligations.

(b) At any time after the Obligations have been declared to be due and payable, and before the entry of a final judgment or decree in any proceeding instituted with respect to the Event of Default that resulted in the declaration of acceleration, the Master Trustee may annul such declaration and its consequences if:

(i) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all payments then due on all Outstanding Obligations (other than payments then due only because of such declaration); and

(ii) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all fees and expenses of the Master Trustee then due; and

(iii) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee moneys sufficient to pay) all other amounts then payable by the Obligated Group hereunder; and

(iv) every Event of Default (other than a default in the payment of the principal or other payments of such Obligations then due only because of such declaration) has been remedied.

No such annulment shall extend to or affect any subsequent Event of Default or impair any right with respect to any subsequent Event of Default.

Section 4.03. Additional Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Outstanding Obligations (and upon indemnification of the Master Trustee to its satisfaction for any such request), shall, proceed to protect and enforce its rights and the rights of the Holders hereunder by such proceedings as may be deemed expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect amounts due or becoming due under the Obligations;

(ii) Civil action upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders of Obligations;

(iv) Civil action to enjoin any acts that may be unlawful or in violation of the rights of the Holders of Obligations;

(v) Civil action against any Obligated Group Member or Controlling Member, or against any officer or member of the Governing Body of any Obligated Group Member or Controlling Member to compel performance of any act specifically required by this Master Indenture or any Obligation;

(vi) Exercise any and all remedies with respect to Collateral; and

(vii) Enforcement of any other right or remedy of the Holders conferred by law or hereby.

(b) Regardless of the occurrence of an Event of Default, if requested in writing by the Holders of not less than a majority in aggregate principal amount of the Outstanding Obligations (and upon indemnification of the Master Trustee to its satisfaction for any such request), the Master Trustee shall institute and maintain such proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts that may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders. However, the Master Trustee shall not comply with any such request or institute and maintain any such proceeding that is in conflict with any applicable law or the provisions hereof or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not making such request. Nothing herein shall be deemed to authorize the Master Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment, or composition affecting the Obligations or the rights of any Holder thereof, or to authorize the Master Trustee to vote in respect of the claim of any Holder in any such proceeding without the approval of the Holders so affected.

Section 4.04. Application of Moneys After Default. During the continuance of an Event of Default, all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article (after payment of the costs of the proceedings resulting in the collection of such moneys and payment of all fees, expenses and other amounts owed to the Master Trustee) shall be applied as follows:

(a) Unless all Outstanding Obligations have become or have been declared due and payable (or if any such declaration is annulled in accordance with the terms of this Article):

First: To the payment of all Required Payments then due on the Obligations (including Financial Product Payments to the extent made pursuant to a Financial Product Agreement secured or evidenced by an Obligation and Parity Financial Product Extraordinary Payments), in the order of their due dates, and, if the amount available is not sufficient to pay in full all Required Payments due on the same date, then to the payment thereof ratably, according to the amount Required Payments due on such date, without any discrimination or preference;

Second: To the payment of all Financial Product Extraordinary Payments made pursuant to a Financial Product Agreement secured or evidenced by an Obligation (other than Parity Financial Product Extraordinary Payments), in the order of their due dates, and, if the amount available is not sufficient to pay in full all Financial Product Extraordinary Payments due on the same date, then to the payment thereof ratably, according to the amounts of Financial Product Extraordinary Payments due on such date, without any discrimination or preference.

(b) If all Outstanding Obligations have become or have been declared due and payable (and such declaration has not been annulled under the terms of this Article):

First: To the payment of all Required Payments then due on the Obligations (including (i) Financial Product Payments to the extent made pursuant to a Financial Product Agreement secured or evidenced by an Obligation and (ii) Parity Financial Product Extraordinary Payments), and, if the amount available is not sufficient to pay in full the whole amount then due and unpaid, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, without any discrimination or preference; and

Second: To the payment of all Financial Product Extraordinary Payments made pursuant to a Financial Product Agreement secured or evidenced by an Obligation (other than Parity Financial Product Extraordinary Payments), and, if the

amount available is not sufficient to pay in full all such Financial Product Extraordinary Payments, then to the payment thereof ratably, without any discrimination or preference.

Such moneys shall be applied at such times as the Master Trustee shall determine, having due regard for the amount of moneys available and the likelihood of additional moneys becoming available in the future. Upon any date fixed by the Master Trustee for the application of such moneys to the payment of principal, interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notices as it may deem appropriate of the deposit with it of such moneys or of the fixing of such dates. The Master Trustee shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation (and all unmatured interest coupons, if any) is presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations have been paid under the terms of this Section and all fees and expenses of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive such balance. If no other Person is entitled thereto, then the balance shall be paid to the Members of the Obligated Group or to such Person as a court of competent jurisdiction may direct.

Section 4.05. Remedies Not Exclusive. No remedy granted by the terms of this Master Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity.

Section 4.06. Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any proceeding relating thereto. Any proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining any Holders as plaintiffs or defendants. Subject to the provisions of Section 4.04 hereof, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Obligations.

Section 4.07. Master Trustee to Represent Holders. The Master Trustee is hereby irrevocably appointed as trustee and attorney in fact for the Holders for the purpose of exercising on their behalf the rights and remedies available to the Holders under the provisions of this Master Indenture, the Obligations, any Related Supplement and applicable provisions of law, in each case subject to the provisions of Section 4.08. The Holders, by taking and holding the Obligations, shall be conclusively deemed to have so appointed the Master Trustee.

Section 4.08. Holders' Control of Proceedings. If an Event of Default has occurred and is continuing, notwithstanding anything herein to the contrary, the Holders of at least a majority in aggregate principal amount of Outstanding Obligations shall have the right (upon the indemnification of the Master Trustee to its satisfaction) to direct the method and/or place of conducting any proceeding to be taken in connection with the enforcement of the terms hereof. Such direction must be in writing, signed by such Holders and delivered to the Master Trustee. However, the Master Trustee shall not follow any such direction that is in conflict with any applicable law or the provisions hereof or is unduly prejudicial to the interests of the Holders not

joining in such direction. Nothing in this Section shall impair the right of the Master Trustee to take any other action authorized by this Master Indenture that it may deem proper and that is not inconsistent with such direction by Holders.

Section 4.09. Termination of Proceedings. In case any proceeding instituted by the Master Trustee with respect to any Event of Default is discontinued or abandoned for any reason or is determined adversely to the Master Trustee or the Holders, then the Obligated Group Members, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder. All rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 4.10. Waiver of Event of Default.

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right with respect to any Event of Default shall impair such right or shall be construed to be a waiver of or acquiescence to such Event of Default. Every right and remedy given by this Article to the Master Trustee and the Holders may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee may waive any Event of Default that in its opinion has been remedied before the entry of a final judgment or decree in any proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Upon the written request of the Holders of at least a majority in aggregate principal amount of Outstanding Obligations, the Master Trustee shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02 hereof, the failure to pay the principal of, premium, if any, or interest on any Obligation when due may not be waived without the written consent of the Holders of all Outstanding Obligations.

(d) In case of any waiver by the Master Trustee of an Event of Default, the Obligated Group Members, the Master Trustee and the Holders shall be restored to their former positions and rights. No waiver shall extend to, or impair any right with respect to, any other Event of Default.

Section 4.11. Appointment of Receiver. Upon the occurrence and continuance of any Event of Default, the Master Trustee shall be entitled (a) without declaring the Obligations to be due and payable, (b) after declaring the Obligations to be due and payable, or (c) upon the commencement of any proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group Members (without the necessity of notice to any Obligated Group Member or any other Person), with such powers as the court making such appointment shall confer. Each Obligated Group Member consents, subject to the imposition on the receiver of any applicable Government Restriction, and will if requested by the Master Trustee, consent at the time of application by the Master Trustee for appointment of a receiver, to the appointment of such receiver and agrees that such receiver may be given the right, to the extent the right may lawfully be given, to take

possession of, operate and deal with such Property and the revenues, profits and proceeds therefrom, with the same effect as the Obligated Group Member could, and to borrow money and issue evidences of indebtedness as such receiver.

Section 4.12. Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law or any Government Restriction. All the provisions of this Article are intended to be limited to the extent necessary so that they will not render any provision hereof invalid or unenforceable under the provisions of any applicable law or inconsistent with any Government Restriction.

Section 4.13. Notice of Default. Within thirty (30) days after a Responsible Officer of the Master Trustee has actual knowledge or has received written notice of the occurrence of an Event of Default, the Master Trustee shall mail notice of such Event of Default to all Holders, unless such Event of Default has been cured before the giving of such notice (the term "Event of Default" for the purposes of this Section being limited to the events specified in Section 4.01). 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 (f) and (g) of Section 4.01, the Master Trustee shall be protected in withholding such notice if and so long as the Master Trustee in good faith determines that the withholding of such notice is in the best interest of the Holders.

ARTICLE V

THE MASTER TRUSTEE

Section 5.01. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default:

(i) The Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture, and no implied covenant or obligation shall be read into this Master Indenture against the Master Trustee; and

(ii) In the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Master Indenture; but in the case of any certificate or opinion specifically required by the provisions hereof to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine such certificate or opinion to determine whether or not it conforms to the requirements of this Master Indenture on its face.

(b) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master 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 such person's own affairs.

(c) No provision of this Master Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders given in accordance with Section 4.08; and

(iv) no provision of this Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured.

The Master Trustee will keep on file at its office a list of the names and addresses of the last known Holders of all Obligations and the serial numbers of such Obligations held by each of such Holders. At reasonable times and under reasonable regulations established by the Master Trustee, said list may be inspected and copied by the Obligated Group Members, any Obligation Holder or the authorized representative thereof, provided that the ownership of such Holder and the authority of any such designated representative shall be evidenced to the satisfaction of the Master Trustee.

(d) Every provision of this Master Indenture relating to the conduct of, affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

Section 5.02. Certain Rights of Master Trustee. Subject to Section 5.01:

(a) The Master Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Credit Group Representative mentioned herein shall be sufficiently evidenced by an Officer's Certificate. Any action of the Governing Body of any Obligated Group Member shall be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Obligated Group Member to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of this Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, allowing or omitting any action hereunder, the Master Trustee may (in the absence of bad faith on its part

and unless other evidence is specifically prescribed by this Master Indenture) request and conclusively rely upon an Officer's Certificate.

(d) The Master Trustee may consult with counsel of its selection, and any opinion of such counsel shall be full and complete authorization and protection with respect to any action taken, allowed or omitted by it hereunder in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Master Trustee reasonable security or indemnity satisfactory to the Master Trustee against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(f) The Master Trustee shall not be bound to make any investigation into the facts stated in any document delivered to it hereunder, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts as it may see fit. If the Master Trustee determines to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of any Credit Group Member (excluding specifically donor records, patient records and personnel records), personally or by agent or attorney, during regular business hours and after reasonable notice.

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, attorneys, custodians, or nominees. The Master Trustee shall not be responsible for any misconduct or negligence on the part of any agent, attorney, custodian, or nominee appointed by it with due care.

(h) The Master Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Master Indenture.

(i) The Master Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Master Trustee has actual knowledge thereof or unless written notice of any event that is in fact such a default is received by the Master Trustee at the Corporate Trust Office of the Master Trustee, and such notice references this Master Indenture.

(j) The Master Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Master Indenture or a Related Supplement and delivered using Electronic Means; provided, however, that the Credit Group Representative shall provide to the Master Trustee an incumbency certificate listing officers with the Credit Group Representative to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Credit Group Representative whenever a person is to be added or deleted from the listing. If the Credit Group Representative elects to give the Master Trustee Instructions using Electronic Means and the Master Trustee in its discretion elects to act upon such Instructions, the Master Trustee's understanding of such Instructions shall be deemed controlling. The Credit Group Representative understands and agrees that the Master

Trustee cannot determine the identity of the actual sender of such Instructions and that the Master Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Master Trustee have been sent by such Authorized Officer. The Credit Group Representative shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Master Trustee and that the Credit Group Representative and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Credit Group Representative. The Master Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Master Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Credit Group Representative agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Master Trustee, including, without limitation, the risk of the Master Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Master Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Credit Group Representative; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Master Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" for purposes of this Section shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Master Trustee, or another method or system specified by the Master Trustee as available for use in connection with its services hereunder.

(k) The Master Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Master Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(l) The permissive right of the Master Trustee to do things enumerated in this Master Indenture shall not be construed as a duty and the Master Trustee shall not be answerable for other than its negligence or willful misconduct. The Master 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.

(m) The Master Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Obligations, except for any information provided by the Master Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Obligations.

Section 5.03. Right to Deal in Obligations and Related Conduit Issuer Bonds. The Master Trustee may buy, sell or hold and deal in any Obligations and Related Conduit Issuer

Bonds with the same effect as if it were not the Master Trustee. The Master Trustee may commence or join in any action that a Holder or holder of a Related Conduit Issuer Bond is entitled to take with the same effect as if the Master Trustee were not the Master Trustee.

Section 5.04. Removal and Resignation of the Master Trustee.

(a) The Master Trustee may be removed with thirty (30) days' notice by an instrument or instruments in writing signed by (i) the Holders of not less than a majority of the principal amount of Outstanding Obligations or (ii) (unless an Event of Default has occurred and is then continuing) the Credit Group Representative.

(b) The Master Trustee may at any time resign by giving written notice of such resignation to the Credit Group Representative.

(c) No such resignation or removal shall become effective unless and until a successor Master Trustee has been appointed and has assumed the trusts created hereby. Written notice of removal of the predecessor Master Trustee and/or appointment of the successor Master Trustee shall be given by the successor Master Trustee within ten (10) days of the successor's acceptance of appointment to the Obligated Group Members and to each Holder at the addresses shown on the books of the Master Trustee. A successor Master Trustee may be appointed at the direction of the Holders of not less than a majority in aggregate principal amount of Outstanding Obligations, or, if the Master Trustee has resigned or has been removed by the Credit Group Representative, by the Credit Group Representative. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation or removal is given, the Master Trustee, any Obligated Group Member or any Holder may apply at the expense of the Obligated Group Members to any court of competent jurisdiction for the appointment of an interim successor Master Trustee to act until such time as a permanent successor is appointed.

(d) Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

(e) Every successor Master Trustee shall execute and deliver to its predecessor and to each Obligated Group Member a written instrument accepting such appointment. Upon the delivery of such acceptance, the successor Master Trustee shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor. The predecessor shall execute and deliver to the successor Master Trustee a written instrument transferring to the successor Master Trustee all the rights, powers and trusts of the predecessor. The predecessor Master Trustee (upon payment of all amounts owed to it) shall execute any documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Section 5.05. Compensation and Reimbursement. Subject to the provisions of any specific agreement between the Credit Group Representative and the Master Trustee relating to the compensation of the Master Trustee, each Obligated Group Member agrees:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) Except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee in accordance with any provision of this Master Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith.

(c) To indemnify each of the Master Trustee and its officers, directors, agents and employees and any predecessor Master Trustee for, and to hold it and them harmless against, any and all loss, liability, damages, claim or expense, including taxes (other than taxes based on the income of the Master Trustee) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including, without limitation, legal fees and expenses and the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

When the Master Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 4.01(e) or (f), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Master Indenture and the removal or resignation of the Master Trustee.

Section 5.06. Recitals and Representations. The recitals, statements and representations contained herein or in any Obligation (excluding the Master Trustee's authentication on the Obligations) shall be taken and construed as made by and on the part of the Obligated Group Members, and not by the Master Trustee. The Master Trustee assumes no responsibility for the correctness of such statements.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency of this Master Indenture or of the Obligations. The Master Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys that shall be released or withdrawn in accordance with the provisions hereof.

Section 5.07. Separate or Co-Master Trustee. At any time, for the purpose of meeting any legal requirements of any jurisdiction, the Master Trustee may appoint one or more Persons either to act as co-master trustee with the Master Trustee, or to act as separate master trustee, and to vest in such Persons or Persons, such rights, powers, duties, trusts or obligations as the Master

Trustee may consider necessary or desirable, subject to the remaining provisions of this Section, provided that doing so shall not impose a material burden on the Obligated Group Members (financial or otherwise).

Every co-master trustee or separate master trustee shall, to the extent permitted by law, be appointed subject to the following terms:

(a) The Obligations shall be authenticated and delivered solely by the Master Trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed as shall be provided in the instrument appointing such co-master trustee or separate master trustee, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Master Trustee is incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-master trustee or separate master trustee.

(c) Any request in writing by the Master Trustee to any co-master trustee or separate master trustee to take or to refrain from taking any action hereunder shall be sufficient for the taking, or the refraining from taking, of such action by such Person.

(d) Any co-master trustee or separate master trustee may, to the extent permitted by law, delegate to the Master Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Master Trustee may at any time, by an instrument in writing, accept the resignation of or remove any co-master trustee or separate master trustee appointed under this Section. Upon the request of the Master Trustee, the Obligated Group Members shall join with the Master Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, nor will the act or omission of any trustee hereunder be imputed to any other trustee.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Master Trustee shall be deemed to have been delivered to each such co-master trustee or separate master trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-master trustee or separate master trustee hereunder shall be turned over to the Master Trustee immediately.

Upon the acceptance in writing of such appointment by any co-master trustee or separate master trustee, such Person shall be vested with such rights, powers, duties or obligations as are specified in the instrument of appointment jointly with the Master Trustee (except insofar as local law makes it necessary for any such co-master trustee or separate master trustee to act

alone) subject to all the terms hereof. Every such acceptance shall be filed with the Master Trustee. To the extent permitted by law, any co-master trustee or separate master trustee may, at any time by an instrument in writing, constitute the Master Trustee its attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its behalf and in its name.

In case any co-master trustee or separate master trustee shall become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of such Person shall, so far as permitted by law, vest in and be exercised by the Master Trustee unless and until a successor co-master trustee or separate master trustee shall be appointed in the manner herein provided.

Section 5.08. Merger or Consolidation. Any company into which the Master Trustee may be merged or converted, or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it is a party, or any company to which the Master Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under Section 5.04) shall be the successor to the Master Trustee without the execution or filing of any paper or any further act.

ARTICLE VI

SUPPLEMENTS AND AMENDMENTS

Section 6.01. Supplements Not Requiring Consent of Holders. The Credit Group Representative (acting for itself and as agent for each Obligated Group Member) and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Related Supplements for any of the following purposes:

(a) To correct any ambiguity or formal defect or omission in this Master Indenture;

(b) To correct or supplement any provision that may be inconsistent with any other provision, or to make any other provision with respect to matters or questions arising hereunder and that does not materially and adversely affect the interests of the Holders;

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority, or to add to the covenants of and restrictions on the Obligated Group Members;

(d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect;

(e) To create and provide for the issuance of an Obligation or Series of Obligations as permitted hereunder;

(f) To obligate a successor to any Obligated Group Member as provided in Section 3.07;

(g) To add a new Obligated Group Member as provided in Section 3.08;

(h) To make any change necessary or advisable to preserve the intent or effect of any provision hereof affected by amendment or replacement of the Code; or

(i) To make any other change that does not materially and adversely affect the interests of the Holders.

In entering into any Related Supplement, the Master Trustee may rely on an Opinion of Counsel as described in Section 6.03(a) hereof.

Section 6.02. Supplements Requiring Consent of Holders.

(a) Other than Related Supplements referred to in Section 6.01 hereof and subject to the terms contained in this Article, the Holders of not less than a majority in aggregate principal amount of the Outstanding Obligations shall have the right to consent to and approve the execution by the Credit Group Representative (acting for itself and as agent for each Obligated Group Member) and the Master Trustee of such Related Supplements as shall be deemed necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding any of the terms contained herein; provided, however, that nothing in this Section shall permit or be construed as permitting a Related Supplement that would:

(i) Extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or the redemption premium or rate of interest or change the method of calculating interest payable on or reduce any other Required Payment on any Obligation without the consent of the Holder of such Obligation;

(ii) Modify, alter, amend, add to or rescind any of the terms or provisions contained in Section 3.01 or Article IV hereof so as to affect the right of the Holders of any Obligations in default as to payment to compel the Master Trustee to declare the principal of all Obligations to be due and payable, or the priority of payment of Obligations, without the consent of the Holders of all Outstanding Obligations; or

(iii) Reduce the aggregate principal amount of Outstanding Obligations the consent of the Holders of which is required to authorize such Related Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) The Master Trustee may execute a Related Supplement (in substantially the form delivered to it as described below) without liability or responsibility to any Holder (whether or not such Holder has consented to the execution of such Related Supplement) if the Master Trustee receives:

(i) a request of the Credit Group Representative to enter into such Related Supplement; and

(ii) a certified copy of the resolution of the Governing Body of the Credit Group Representative approving the execution of such Related Supplement; and

(iii) the proposed Related Supplement; and

(iv) an instrument or instruments executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) for the Related Supplement in question which instrument or instruments shall refer to the proposed Related 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.

(c) Any such consent shall be binding upon the Holder of the Obligation 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 Related Supplement, such revocation and, if such Obligation or Obligations are transferable by delivery, proof that such Obligations are held by the signer of such revocation. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Related Supplement, the Master Trustee shall file a written statement to that effect with the Credit Group Representative. Such written statement shall be conclusive evidence that such consents have been so filed.

(d) If the Holders of the required principal amount or number of the Outstanding Obligations have consented to the execution of such Related Supplement, no Holder shall have any right to object to the execution thereof, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the execution thereof or to enjoin or restrain the Master Trustee or the Credit Group Representative from executing such Related Supplement or from taking any action pursuant to the provisions thereof.

Section 6.03. Execution and Effect of Supplements.

(a) In executing any Related Supplement permitted by this Article, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Related Supplement is authorized or permitted hereby. The Master Trustee may (but shall not be obligated to) enter into any Related Supplement that materially and adversely affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Related Supplement in accordance with this Article, the provisions of this Master Indenture shall be deemed modified in accordance therewith. Such Related Supplement shall form a part hereof for all purposes and every Holder shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Related Supplement in accordance with this Article may, and, if required by the Credit Group Representative or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Related Supplement. If the Credit Group Representative or the Master Trustee shall so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of the Credit Group Representative to any such Related Supplement may be prepared and executed by the Credit Group Representative and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

Section 6.04. Amendment of Related Supplements. Any Related Supplement may provide that the provisions thereof may be amended without the consent of or notice to any of the Holders, or pursuant to such terms and conditions as may be specified in such Related Supplement. If a Related Supplement does not contain provisions relating to the amendment thereof, the amendment of such Related Supplement shall by governed by the provisions of Section 6.01 and Section 6.02 hereof.

ARTICLE VII

SATISFACTION AND DISCHARGE

Section 7.01. Satisfaction and Discharge of Master Indenture. This Master Indenture shall cease to be of further effect (except for Section 5.05 hereof, which shall survive) if:

(a) all Obligations previously authenticated (other than any Obligations that have been mutilated, destroyed, lost or stolen and that have been replaced or paid as provided in any Related Supplement) and not cancelled are delivered to the Master Trustee for cancellation; or

(b) all Obligations not previously cancelled or delivered to the Master Trustee for cancellation are paid; or

(c) an Irrevocable Deposit is made in trust with the Master Trustee (or with one or more banks, national banking associations or trust companies acceptable to the Master Trustee pursuant to one or more agreements between an Obligated Group Member and such national banking associations or trust companies in form acceptable to the Master Trustee) in cash or Government Obligations or both, sufficient to pay at maturity or upon redemption all Obligations not previously cancelled or delivered to the Master Trustee for cancellation, including principal and interest or other payments (including Financial Product Payments and Financial Product Extraordinary Payments evidenced by an Obligation) due or to become due to such date of maturity, redemption date or payment date, as the case may be; and all other sums payable hereunder by the Obligated Group Members are also paid. The Master Trustee, on demand of the Credit Group Representative and at the cost and expense of the Obligated Group Members, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture and authorizing the Credit Group Representative to file such terminations and releases as may be necessary to evidence the termination of the Master Trustee's security interest in the Gross Receivables. The Master Trustee shall be entitled to receive a verification report of an independent accounting firm in connection with the discharge of Obligations pursuant to this subsection (c).

The Obligated Group Members shall pay and indemnify the Master Trustee against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to this Section 7.01 or the principal and interest received in respect thereof other than any such tax, fee or other charge that by law is for the account of the Holders of Outstanding Obligations.

Section 7.02. Payment of Obligations After Discharge of Lien. Notwithstanding the discharge of the lien of this Master Indenture as provided in this Article, the Master Trustee shall retain such rights, powers and duties as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and for the registration, transfer, exchange and replacement of Obligations. Any moneys held by the Master Trustee for the payment of the principal of, premium, if any, or interest or other Required Payment on any Obligation remaining unclaimed for one year after the principal of all Obligations has become due and payable, whether at maturity, upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Obligated Group Members. The Holders of any Obligations or coupons not previously presented for payment shall thereafter be entitled to look only to the Obligated Group Members for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Indenture or the Obligations is intended or shall be construed to give to any Person other than each Obligated Group Member, the Master Trustee, the Related Conduit Issuer Bonds Issuers and the Holders any legal or equitable right, remedy or claim under or with respect to this Master Indenture. This Master Indenture and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the parties mentioned in this Section.

Section 8.02. Severability. If any part of this Master Indenture is for any reason held invalid or unenforceable, no other part shall be invalidated or deemed unenforceable.

Section 8.03. Holidays. Except to the extent a Related Supplement or an Obligation provides otherwise:

(a) Subject to subsection (b), when any action is provided herein to be done on a day or within a time period named, and the day or the last day of the period falls on a day on which banking institutions in the State or in the jurisdiction where the Corporate Trust Office is located are authorized by law to remain closed, the action may be done on the next ensuing day that is not a day on which banking institutions in such jurisdiction are authorized by law to remain closed, with the same effect as if done on the day or within the time period named.

(b) When the date on which principal of or interest or premium on any Obligation is due and payable is a day on which banking institutions at the place of payment are authorized by law to remain closed, payment may be made on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with the same effect as if payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

Section 8.04. Credit Enhancer Deemed Holder of Obligation. Except to the extent a Related Supplement or an Obligation provides otherwise, any credit enhancer of Related Conduit

Issuer Bonds shall be deemed the Holder of the related Obligation for purposes of this Master Indenture for so long as the credit enhancement is in effect and the credit enhancer is not in default thereunder. If the credit enhancement is applicable to a portion of Related Conduit Issuer Bonds, such related Obligation shall be treated as if such related Obligation were two Obligations, one in the principal amount of the Related Conduit Issuer Bonds for which the credit enhancement is applicable and another in the principal amount of the remainder of the Related Conduit Issuer Bonds.

Section 8.05. Governing Law. This Master Indenture and the Obligations are contracts made under the laws of the State, and shall be governed by and construed in accordance with such laws applicable to contracts made and performed in said State.

Section 8.06. Counterparts. This Master Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 8.07. Immunity of Individuals. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any of the Obligations issued hereunder or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, director, trustee, member, employee or agent of any Obligated Group Member that is a corporation, whether directly or indirectly. All liability of any such individual is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Obligations.

Section 8.08. Binding Effect. This instrument shall inure to the benefit of and shall be binding upon each Obligated Group Member, the Master Trustee and their respective successors and assigns, subject to the limitations contained herein.

Section 8.09. No Third Party Beneficiary. This Master Indenture is not intended for the benefit of, and shall not be construed to create, rights in parties other than the Obligated Group, the Credit Group Representative, the Master Trustee, and the Holders.

Section 8.10. Notices.

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or served if given: (i) by facsimile or electronic mail with prompt telephonic confirmation of receipt; (ii) personally by hand; (iii) by overnight delivery service; or (iv) by first class mail, postage prepaid and addressed as follows:

(i) If to the Credit Group Representative, addressed to it at: Montefiore Health System, Inc., 555 S Broadway, Tarrytown, NY 10591, Attention: Chief Financial Officer;

(ii) If to the Master Trustee, addressed to it at the Corporate Trust Office; or

(iii) If to the registered Holder of an Obligation, addressed to such Holder at the address shown on the books of the Master Trustee.

(b) The Credit Group Representative or the Master Trustee may from time to time designate a different address or addresses for notice by notice in writing to the others and to the Holders.

[*Signature page immediately follows*]

IN WITNESS WHEREOF, MONTEFIORE MEDICAL CENTER has caused this Master Indenture to be duly executed in its name and on its behalf by its duly authorized officer, and to evidence its acceptance of the trusts and agreements hereby created, all as of the day and year first above written. Each of MONTEFIORE HEALTH SYSTEM, INC. and THE BANK OF NEW YORK MELLON has caused this Master Indenture to be duly executed in its name and on its behalf by one of its duly authorized officers, all as of the day and year first above written.

MONTEFIORE MEDICAL CENTER,

By: /s/ Colleen Blye
Authorized Representative

MONTEFIORE HEALTH SYSTEM, INC.,
solely in its capacity as Credit Group Representative

By: /s/ Colleen Blye
Authorized Representative

THE BANK OF NEW YORK MELLON,
as Master Trustee

By: /s/ Glenn Kunak
Authorized Officer

APPENDIX A TO MASTER INDENTURE

DESCRIPTION OF THE MORTGAGED PROPERTY

[On file with the Master Trustee]

APPENDIX B TO MASTER INDENTURE

EXISTING PERMITTED LIENS

[On file with the Master Trustee]

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APPENDIX G

PROPOSED FORMS OF APPROVING OPINIONS OF CO-BOND COUNSEL

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FORMS OF APPROVING OPINIONS
OF BOND COUNSEL

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP,
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2020A BONDS

Upon delivery of the Series 2020A Bonds, Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP
7 WORLD TRADE CENTER
250 GREENWICH STREET, 41ST FLOOR
NEW YORK, NEW YORK 10007

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State"), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the "Dormitory Authority Act"), have examined a record of proceedings relating to the issuance of $356,510,000 aggregate principal amount of Montefiore Obligated Group Revenue Bonds, Series 2020A (the "Series 2020A Bonds").

The Series 2020A Bonds are issued under and pursuant to the Dormitory Authority Act, and the Montefiore Obligated Group Revenue Bond Resolution adopted by the Authority on June 20, 2018 (the "Bond Resolution"), as supplemented by the Series 2020A Resolution Authorizing Up To $420,000,000 Montefiore Obligated Group Revenue Bonds, Series 2020A, adopted by the Authority on January 8, 2020 (the "Series 2020A Resolution"). The Bond Resolution and the Series 2020A Resolution are herein collectively referred to as the "Resolutions."

The Series 2020A Bonds are dated, mature, are payable, bear interest and are subject to redemption and purchase as provided in the Resolutions and the Bond Series Certificate of the Authority fixing the terms and the details of the Series 2020A Bonds (the "Series 2020A Certificate").

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

In rendering our opinion, we have relied upon and assumed the accuracy of the opinions of counsel to Montefiore Medical Center (the "Institution") and White Plains Hospital Medical Center ("WPHMC"), respectively, regarding, among other matters, the current qualification of the Institution and WPHMC, respectively, as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). We note that such opinions are subject to a number of qualifications and limitations. The Institution and WPHMC have each covenanted that it will comply with the requirements of the Code and any applicable regulations (i) with respect to the Institution, throughout the term of the Series 2020A Bonds, and (ii) with respect to WPHMC, throughout the term of any Series 2020A Bonds allocable to the financing or refinancing of property owned or used by WPHMC. Failure of the Institution or WPHMC to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of their respective status as organizations described in Section 501(c)(3) of the Code or use of the Series 2020A Bond-financed assets in activities that constitute unrelated trades or businesses of the Institution or WPHMC, as applicable, within the meaning of Section 513 of the Code, may

result in interest on the Series 2020A Bonds being included in gross income for Federal income tax purposes, possibly from the date of issuance of the Series 2020A Bonds.

As to questions of fact material to our opinion, we have, with your consent, relied upon the certified proceedings and other certifications of public officials and officers of the Institution furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion that under existing law:

1. The Authority has been duly created and is validly existing under the Dormitory Authority Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Bond Resolution creates the valid pledge which it purports to create of the proceeds of the sale of the Bonds, the Revenues and all funds and accounts established by the Bond Resolution (other than the Arbitrage Rebate Fund, as defined in the Bond Resolution), including the investments thereof and the proceeds of such investments, if any, subject only to the provisions of the Bond Resolution permitting the application thereof to the purposes and on the terms and conditions set forth in the Bond Resolution.

3. The Series 2020A Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2020A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2020A Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2020A Bonds.

5. The Loan Agreement, dated as of January 8, 2020 (the "Loan Agreement"), between the Authority and the Institution, has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2020A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2020A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Institution, WPHMC and others in connection with the Series 2020A Bonds, and we have assumed compliance by the Authority, the Institution and WPHMC with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2020A Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2020A Bonds in order that, for Federal income tax purposes, interest on the Series 2020A Bonds be excluded from gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Series 2020A Bond proceeds, restrictions on the investment of Series 2020A Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2020A Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Series 2020A Bonds, the Authority and the Institution will execute the Tax Certificate and Agreement containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate and Agreement, the Authority and the Institution covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things

necessary or desirable to assure that interest paid on the Series 2020A Bonds will, for Federal income tax purposes, be excluded from gross income. In rendering the opinion in this paragraph 6, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate and Agreement with respect to matters affecting the status of interest paid on the Series 2020A Bonds, and (ii) compliance by the Institution with the procedures and covenants set forth in the Tax Certificate and Agreement with respect to such tax matters.

7. Under existing statutes, interest on the Series 2020A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion as to any federal, state or local tax consequences arising with respect to the Series 2020A Bonds, or the ownership or disposition thereof, except as stated in paragraphs 6 and 7 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2020A Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2020A Bonds, the Resolutions and the Loan Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2020A Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

FORM OF APPROVING OPINION OF BROWN HUTCHINSON LLP,
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2020A BONDS

Upon delivery of the Series 2020A Bonds, Brown Hutchinson LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

BROWN HUTCHINSON LLP
925 CROSSROADS BUILDING
TWO STATE STREET
ROCHESTER, NEW YORK 14614

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State"), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the "Dormitory Authority Act"), have examined a record of proceedings relating to the issuance of $356,510,000 aggregate principal amount of Montefiore Obligated Group Revenue Bonds, Series 2020A (the "Series 2020A Bonds").

The Series 2020A Bonds are issued under and pursuant to the Dormitory Authority Act, and the Montefiore Obligated Group Revenue Bond Resolution adopted by the Authority on June 20, 2018 (the "Bond Resolution"), as supplemented by the Series 2020A Resolution Authorizing Up To $420,000,000 Montefiore Obligated Group Revenue Bonds, Series 2020A, adopted by the Authority on January 8, 2020 (the "Series 2020A Resolution"). The Bond Resolution and the Series 2020A Resolution are herein collectively referred to as the "Resolutions."

The Series 2020A Bonds are dated, mature, are payable, bear interest and are subject to redemption and purchase as provided in the Resolutions and the Bond Series Certificate of the Authority fixing the terms and the details of the Series 2020A Bonds (the "Series 2020A Certificate").

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

As to questions of fact material to our opinion, we have, with your consent, relied upon the certified proceedings and other certifications of public officials and officers of the Institution furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion that under existing law:

1. The Authority has been duly created and is validly existing under the Dormitory Authority Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Bond Resolution creates the valid pledge which it purports to create of the proceeds of the sale of the Bonds, the Revenues and all funds and accounts established by the Bond Resolution (other than the Arbitrage Rebate Fund, as defined in the Bond Resolution), including the investments thereof and the proceeds of such investments, if any, subject only to the provisions of the Bond Resolution permitting the application thereof to the purposes and on the terms and conditions set forth in the Bond Resolution.

3. The Series 2020A Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2020A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2020A Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2020A Bonds.

5. The Loan Agreement, dated as of January 8, 2020 (the "Loan Agreement"), between the Authority and the Institution, has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2020A Bonds, the Resolutions and the Loan Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2020A Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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APPENDIX H

PROPOSED FORM OF AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

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PROPOSED FORM OF AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MONTEFIORE OBLIGATED GROUP
REVENUE BONDS, SERIES 2020A

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of February 20, 2020, is executed and delivered by Montefiore Medical Center (the "Obligated Person"), The Bank of New York Mellon, as trustee (the "Trustee") and Digital Assurance Certification, L.L.C. ("DAC"), as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) issued by the Dormitory Authority of the State of New York (the "Issuer" or "DASNY") and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute "advice" within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC is not obligated hereunder to provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer's or the Obligated Person's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f) of this Disclosure Agreement, by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the Credit Group Financial Statements as described in Section 3.13 of that certain Master Trust Indenture, dated as of August 1, 2018, by and between the Obligated Person, Montefiore Health System, Inc., solely in its capacity as Credit Group Representative, and The Bank of New York Mellon, as master trustee, for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is

used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Person pursuant to Section 9 hereof.

"Disclosure Representative" means the Chief Financial Officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Obligated Person's failure to file an Annual Report on or before the Annual Filing Date.

"Financial Obligation" means a (i) a 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 Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"Issuer" means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

"Resolution" means DASNY's bond resolution(s) pursuant to which the Bonds were issued.

"Trustee" means The Bank of New York Mellon and its successors and assigns.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the

Trustee, not later than 150 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending December 31, 2019, such date and each anniversary thereof, the "Annual Filing Date." Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Obligated Person shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if Audited Financial Statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. Principal and interest payment delinquencies;

2. Non-Payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, IRS notices or events affecting the tax-exempt status of the securities;

7. Modifications to rights of securities holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Ratings changes;

12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

14. Merger, consolidation, or acquisition of the Obligated Person, if material;

15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;

16. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and

17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties;

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"

2. "change in obligated person;"

3. "notice to investors pursuant to bond documents;"

4. "certain communications from the Internal Revenue Service;"

5. "secondary market purchases;"

6. "bid for auction rate or other securities;"

7. "capital or other financing plan;"

8. "litigation/enforcement action;"

9. "change of tender agent, remarketing agent, or other on-going party;"

10. "derivative or other similar transaction;" and

11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"

2. "change in fiscal year/timing of annual disclosure;"

3. "change in accounting standard;"

4. "interim/additional financial information/operating data;"

5. "budget;"

6. "investment/debt/financial policy;"

7. "information provided to rating agency, credit/liquidity provider or other third party;"

8. "consultant reports;" and

9. "other financial/operating data;"

(viii) provide the Obligated Person evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall include operating data and financial information of the type included in the Official Statement for the Bonds in APPENDIX A – "MONTEFIORE OBLIGATED GROUP" relating to: (i) utilization statistics of the type set forth under the heading "Utilization"; (ii) sources of net patient service revenue of the type set forth under the heading "Sources of Net Patient Service Revenue"; (iii) revenue and expense data of the type set forth under the heading "Summary of Consolidated Historical Revenues and Expenses"; and (v) financial information of the type set forth under the headings "Debt Service Coverage", "Long-term Debt to Capitalization" and "Liquidity", together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or are available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;

7. Modifications to rights of the security holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

16. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other

similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and

17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, the Trustee shall promptly notify the Obligated Person and also shall notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make, contain the written authorization of the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Obligated Person hereby appoints DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Obligated Person may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Obligated Person or DAC, the Obligated Person agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Obligated Person shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Obligated Person.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure

Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and 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 Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format

through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer or Trustee Responsibility.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4 hereof, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under Section 4 hereof. DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person or the Trustee and the assumption by any such successor of the covenants of the Obligated Person or the Trustee hereunder;

(iv) to add to the covenants of the Obligated Person or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

The Disclosure Dissemination Agent, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure Dissemination Agent

By:_____
Name:_____
Title:_____

MONTEFIORE MEDICAL CENTER,
Obligated Person

By:_____
Name:_____
Title:_____

THE BANK OF NEW YORK MELLON,
as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): Montefiore Medical Center
Name of Bond Issue: Montefiore Obligated Group Revenue Bonds, Series 2020A
Date of Issuance: February 20, 2020
Date of Official Statement: February 5, 2020

Maturity September 1,	Amount	Interest Rate	Yield	CUSIP Numbers[1]	Maturity September 1,	Amount	Interest Rate	Yield	CUSIP Numbers[1]
2027	$9,955,000	5.00%	1.45%	64990GZA3	2034	$4,385,000	5.00%	2.08%[C]	64990GZH8
2028	9,710,000	5.00	1.58	64990GZB1	2035	4,495,000	5.00	2.13[C]	64990GZJ4
2029	8,940,000	5.00	1.70	64990GZC9	2036	4,760,000	4.00	2.45[C]	64990GZK1
2030	6,440,000	5.00	1.85[C]	64990GZD7	2037	4,000,000	4.00	2.47[C]	64990GZL9
2031	5,385,000	5.00	1.96[C]	64990GZE5	2038	6,190,000	4.00	2.51[C]	64990GZM7
2032	5,640,000	5.00	2.00[C]	64990GZF2	2039	6,445,000	4.00	2.54[C]	64990GZN5
2033	4,750,000	5.00	2.04[C]	64990GZG0	2040	6,720,000	4.00	2.57[C]	64990GZP0

$38,165,000 4.00% Term Bond Due September 1, 2045, Yield 2.66%[C], CUSIP[1]: 64990GZQ8
$130,530,000 4.00% Term Bond Due September 1, 2050, Yield 2.76%[C], CUSIP[1]: 64990GZR6
$100,000,000 3.00% Term Bond Due September 1, 2050[†], Yield 2.66%[C], CUSIP[1]: 64990GZS4

[C] Priced at stated yield to the March 1, 2030 optional redemption date at the redemption price of 100%.
[†] Insured by Assured Guaranty Municipal Corp.
[1] CUSIP is a registered trademark of the American Bankers Association ("ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. CUSIP numbers have been assigned by an independent company not affiliated with MMC and are included solely for the convenience of the holders of the Bonds. MMC is not responsible for the selection or uses of these CUSIP numbers.

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	Montefiore Medical Center
Name of Bond Issue:	Montefiore Obligated Group Revenue Bonds, Series 2020A
Date of Issuance:	February 20, 2020

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of February 20, 2020, by and among the Obligated Person, The Bank of New York Mellon, as Trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated:_____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Obligated Person

_____

cc: Obligated Person

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

_____

Six-Digit CUSIP Number:

_____

_____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

_____

Number of pages attached: _____

Description of Notice Events (Check One):

1._____"Principal and interest payment delinquencies;"
2._____"Non-Payment related defaults, if material;"
3._____"Unscheduled draws on debt service reserves reflecting financial difficulties;"
4._____"Unscheduled draws on credit enhancements reflecting financial difficulties;"
5._____"Substitution of credit or liquidity providers, or their failure to perform;"
6._____"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7._____"Modifications to rights of securities holders, if material;"
8._____"Bond calls, if material;"
9._____"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;"
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16._____"Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;" and
17._____"Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

_____

Name: _____Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street , Suite 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Agreement to Provide Continuing Disclosure dated as of February 20, 2020 by and among the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

_____

Six-Digit CUSIP Number:

_____

_____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

_____

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1._____"amendment to continuing disclosure undertaking;"
2._____"change in obligated person;"
3._____"notice to investors pursuant to bond documents;"
4._____"certain communications from the Internal Revenue Service;"
5._____"secondary market purchases;"
6._____"bid for auction rate or other securities;"
7._____"capital or other financing plan;"
8._____"litigation/enforcement action;"
9._____"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;" and
11._____"other event-based disclosures."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

_____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street , Suite 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Agreement to Provide Continuing Disclosure dated as of February 20, 2020 by and among the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

_____

Six-Digit CUSIP Number:

_____

_____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

_____

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1._____"quarterly/monthly financial information;"
2._____"change in fiscal year/timing of annual disclosure;"
3._____"change in accounting standard;"
4._____"interim/additional financial information/operating data;"
5._____"budget;"
6._____"investment/debt/financial policy;"
7._____"information provided to rating agency, credit/liquidity provider or other third party;"
8._____"consultant reports;" and
9._____"other financial/operating data."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

_____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street , Suite 300
Orlando, FL 32801
407-515-1100

Date:

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APPENDIX I

SPECIMEN OF 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)

DORMITORY AUTHORITY OF THE STATE OF NEW YORK • MONTEFIORE OBLIGATED GROUP REVENUE BONDS, SERIES 2020A

Montefiore

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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