



DAC Bond

\$202,325,000			
DORMITORY AUTHORITY OF THE STATE OF NEW YORK			
NORTHWELL HEALTH OBLIGATED GROUP			
REVENUE BONDS			
<i>consisting of</i>			
\$41,145,000	\$53,730,000	\$53,725,000	\$53,725,000
Series 2019A	Series 2019B-1	Series 2019B-2	Series 2019B-3
	Mandatory Purchase	Mandatory Purchase	Mandatory Purchase
	Date: May 1, 2022	Date: May 1, 2024	Date: May 1, 2026
Dated: Date of Delivery		Due: May 1, as shown on inside cover	



Payment and Security: The Northwell Health Obligated Group Revenue Bonds, Series 2019A (the "Series 2019A Bonds") and the Northwell Health Obligated Group Revenue Bonds, Series 2019B-1 (the "Series 2019B-1 Bonds"), the Northwell Health Obligated Group Revenue Bonds, Series 2019B-2 (the "Series 2019B-2 Bonds"), and the Northwell Health Obligated Group Revenue Bonds, Series 2019B-3 (the "Series 2019B-3 Bonds") and, collectively with the Series 2019B-1 Bonds and the Series 2019B-2 Bonds, the "Series 2019B Bonds," and the Series 2019B Bonds together with the Series 2019A Bonds, the "Series 2019 Bonds" are special limited obligations of the Dormitory Authority of the State of New York (the "Authority") payable from and secured by a pledge of (i) the payments to be made under the Loan Agreement dated as of July 17, 2019 (the "Loan Agreement"), between the Authority and Northwell Healthcare, Inc. (the "Corporation"); (ii) the funds and accounts (except the Arbitrage Rebate Fund), as applicable to the applicable series of Series 2019 Bonds created under the Authority's Northwell Health Obligated Group Revenue Bond Resolution, adopted by the Authority on July 17, 2019 (the "General Resolution"), under the Series 2019A Resolution Authorizing up to \$250,000,000 Northwell Health Obligated Group Revenue Bonds, Series 2019A adopted by the Authority on July 17, 2019 (the "Series 2019A Resolution") with respect to the Series 2019A Bonds, and under the Series 2019B Resolution Authorizing up to \$250,000,000 Northwell Health Obligated Group Revenue Bonds, Series 2019B adopted by the Authority on July 17, 2019 (the "Series 2019B Resolution" and, collectively with the Series 2019A Resolution and the General Resolution, the "Resolution") with respect to the Series 2019B Bonds; and (iii) Obligation No. 58 (the "Series 2019 Obligation"), issued to secure the Corporation's obligations under the Loan Agreement by the Corporation and the other Members of the Obligated Group (as defined herein) pursuant to the Master Trust Indenture, dated as of July 1, 1998, as supplemented, amended and restated (the "Master Trust Indenture"), by and among the Corporation, North Shore University Hospital, Long Island Jewish Medical Center, Glen Cove Hospital, Plainville Hospital, Northwell Health Stern Family Center for Rehabilitation, Lenox Hill Hospital, Southside Hospital, Huntington Hospital Association d/b/a Huntington Hospital and Staten Island University Hospital (the "Obligated Group" and each a "Member" and collectively, the "Members") and The Bank of New York Mellon, as master trustee (the "Master Trustee"), including as supplemented by the Supplemental Indenture for Obligation No. 58, dated as of September 1, 2019 (the "Supplemental Indenture") by and among the Members of the Obligated Group and the Master Trustee. The Series 2019 Obligation is secured by a pledge of Gross Receipts (as described herein) and certain prior Mortgages pursuant to which the Members (other than the Corporation) have granted to the Master Trustee a mortgage lien on and security interest in certain core healthcare facilities. **As described herein, once the Springing Amendments (as defined herein) take effect any or all of the Mortgages may be released and discharged by the Master Trustee upon the written direction of the Corporation, as the Obligated Group Representative.** See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Certain Expected Amendments to the Master Trust Indenture – The Springing Amendments – Allowing Elimination of Mortgages" herein.

The Series 2019 Bonds are special limited obligations of the Authority payable solely from the Revenues. The Revenues include certain payments to be made by the Corporation under the Loan Agreement or to be made by the Obligated Group on the Series 2019 Obligation, all of which payments are pledged and assigned to The Bank of New York Mellon, as bond trustee (the "Bond Trustee"). The Corporation's payment obligations under the Loan Agreement with respect to the Series 2019 Bonds are general obligations of the Corporation secured by the Series 2019 Obligation issued under the Master Trust Indenture. The Series 2019 Obligation constitutes the joint and several general obligation of each Member of the Obligated Group.

The Series 2019 Bonds will not be a debt of the State of New York (the "State") nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2019 Bonds will be issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. Interest on the Series 2019A Bonds and the Series 2019B Bonds (to the applicable Long-Term Rate Mandatory Purchase Date for the initial Long-Term Interest Rate Period) will be payable semiannually on each May 1 and November 1, commencing November 1, 2019. The Series 2019B-1 Bonds shall be subject to mandatory tender for purchase on May 1, 2022. The Series 2019B-2 Bonds shall be subject to mandatory tender for purchase on May 1, 2024. The Series 2019B-3 Bonds shall be subject to mandatory tender for purchase on May 1, 2026. **The obligation of the Corporation to pay the purchase price of tendered Series 2019B Bonds on the dates set forth above will not be supported or insured by any liquidity facility or other credit enhancement.** See "PART 3 – THE SERIES 2019 BONDS" herein.

The Series 2019 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 2019 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2019 Bonds, payments of the principal and redemption price of and interest on such Series 2019 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 2019 BONDS – Book-Entry Only System" herein.

Redemption: The Series 2019 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity, and the Series 2019B Bonds are subject to mandatory tender for purchase, as more fully described herein.

Tax Matters: In the opinion of Orrick, Herrington & Sutcliffe LLP ("Orrick"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Orrick is of the further opinion that interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Orrick is also of the opinion that interest on the Series 2019 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Neither Orrick nor Brown Hutchinson LLP expresses an opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds. See "PART 10 – TAX MATTERS" herein regarding certain other considerations.

This Official Statement only describes the Series 2019B Bonds during the initial Long-Term Period while in the Long-Term Mode and does not describe (i) any other interest rate mode into which the Series 2019B Bonds may be converted, (ii) any provision relating to the tender provisions applicable to the Series 2019B Bonds after any such conversion, or (iii) the remarketing of the Series 2019B Bonds upon any such conversion and the application of the proceeds thereof. A remarketing of the Series 2019B 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 2019 Bonds are offered when, as, and if received by the Underwriters. The offer of the Series 2019 Bonds is subject to the satisfaction of certain conditions and may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, and Brown Hutchinson LLP, Rochester, New York, as Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Corporation and the Obligated Group by their special counsel, Hawkins Delafield & Wood LLP, New York, New York. In addition, certain legal matters will be passed upon for the Corporation and the Obligated Group by their disclosure counsel, Ropes & Gray LLP, Boston, Massachusetts. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York. The Authority expects the Series 2019 Bonds to be delivered in definitive form in New York, New York on or about September 26, 2019.

Citigroup	Morgan Stanley
BofA Merrill Lynch	J.P. Morgan
M&T Securities, Inc.	TD Securities
Drexel Hamilton, LLC	
Rice Financial Products Co.	
Wells Fargo Securities	

\$202,325,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NORTHWELL HEALTH OBLIGATED GROUP REVENUE BONDS

\$41,145,000
Series 2019A

Maturity (May 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP[†]
2020	\$11,275,000	5.000%	102.162%	1.350%	64990GSM5
2021	6,155,000	5.000	105.681	1.390	64990GSN3
2022	6,445,000	5.000	109.068	1.430	64990GSP8
2023	6,760,000	5.000	112.285	1.480	64990GSQ6
2024	1,665,000	5.000	115.202	1.560	64990GSR4
2025	1,760,000	5.000	117.897	1.640	64990GSS2
2026	755,000	5.000	120.233	1.740	64990GST0
2027	785,000	5.000	122.625	1.800	64990GSU7
2028	825,000	5.000	124.569	1.890	64990GSV5
2029	855,000	5.000	126.376	1.970	64990GSW3
2030	900,000	5.000	125.481 ^c	2.060	64990GSX1
2031	945,000	5.000	124.593 ^c	2.150	64990GSY9
2032	990,000	5.000	123.908 ^c	2.220	64990GSZ6
2033	1,030,000	5.000	123.519 ^c	2.260	64990GTA0

\$53,730,000
Series 2019B-1

\$53,730,000 Term Bond Due May 1, 2048, CUSIP[†]: 64990GTB8
Long-Term Rate Mandatory Purchase Date: May 1, 2022
Interest Rate to Long-Term Rate Mandatory Purchase Date: 5.000%
Yield to first optional call date of November 1, 2021: 1.480%
Price to first optional call date of November 1, 2021: 107.241%

\$53,725,000
Series 2019B-2

\$53,725,000 Term Bond Due May 1, 2048, CUSIP[†]: 64990GTC6
Long-Term Rate Mandatory Purchase Date: May 1, 2024
Interest Rate to Long-Term Rate Mandatory Purchase Date: 5.000%
Yield to first optional call date of November 1, 2023: 1.630%
Price to first optional call date of November 1, 2023: 113.302%

\$53,725,000
Series 2019B-3

\$53,725,000 Term Bond Due May 1, 2048, CUSIP[†]: 64990GTD4
Long-Term Rate Mandatory Purchase Date: May 1, 2026
Interest Rate to Long-Term Rate Mandatory Purchase Date: 5.000%
Yield to first optional call date of November 1, 2025: 1.810%
Price to first optional call date of November 1, 2025: 118.335%

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CGS. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers have been assigned by an organization not affiliated with the Authority are provided for convenience of reference only. None of the Authority, the Corporation, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

^c Priced to the first optional call date of May 1, 2029.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Authority, the Corporation or the Underwriters to give any information or to make any representations with respect to the Series 2019 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Corporation, the other Members of the Obligated Group 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 2019 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, reoffer, solicitation or sale.

The information set forth herein relating to the Authority under the heading “**THE AUTHORITY**” has been obtained from the Authority. All other information herein has been obtained by the Underwriters from the Corporation, on behalf of itself and the other Members of the Obligated Group, and other sources deemed to be reliable by the Underwriters, and is not to be construed as a representation by the Authority or the Underwriters. In addition, the Authority does not warrant the accuracy of the statements contained herein relating to the Corporation or the Obligated Group nor does it directly or indirectly guarantee, endorse or warrant (i) the creditworthiness or credit standing of the Corporation or the Obligated Group, (ii) the sufficiency of the security for the Series 2019 Bonds or (iii) the value or investment quality of the Series 2019 Bonds.

Certain information in this Official Statement has been supplied by the Corporation, on behalf of itself and the other Members of the Obligated Group. The Corporation has reviewed the sections of this Official Statement describing the Obligated Group and Northwell under the headings “**PART 1 – INTRODUCTION,**” “**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS,**” “**PART 3 – THE SERIES 2019 BONDS,**” “**PART 4 – PLAN OF FINANCE,**” “**PART 5 – ESTIMATED SOURCES AND USES OF FUNDS,**” “**PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP,**” “**PART 10 – TAX MATTERS**” (with respect to underlying factual matters set forth therein), “**PART 16 – CONTINUING DISCLOSURE,**” “**Northwell and the Obligated Group**” in “**APPENDIX A**” hereto, “**Audited Consolidated Financial Statements of Northwell Health, Inc. for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**” in “**APPENDIX B-1**” hereto and “**Unaudited Interim Consolidated Financial Statements of Northwell Health, Inc. for the Six Months Ended June 30, 2019 and 2018**” in “**APPENDIX B-2**” hereto. The Corporation shall certify as of the dates of offering and delivery of the Series 2019 Bonds that such parts of this Official Statement relating to the Corporation and the Obligated Group 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 light of the circumstances under which the statements are made, not misleading. The Corporation 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, its 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 Loan Agreement, the Master Trust Indenture, the Supplemental Indenture, the Mortgages and the Series 2019 Obligation do not purport to be complete. Refer to the Act, the Resolution, the Loan Agreement, the Master Trust Indenture, the Supplemental Indenture, the Mortgages and the Series 2019 Obligation for full and complete details of their provisions. Copies of the Act, the Resolution, the Loan Agreement, the Master Trust Indenture, the Supplemental Indenture, the Mortgages and the Series 2019 Obligation are on file with the Authority 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 the Authority or the Corporation 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 2019 Bonds. No assurance can be given that the CUSIP numbers for the Series 2019 Bonds will remain the same after the date of issuance and delivery of the Series 2019 Bonds.

The Series 2019 Bonds have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state, nor have the Resolution or the Master Trust Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Series 2019 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 2019 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 2019 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT CERTAIN TRANSACTIONS THAT STABILIZE THE PRICE OF THE SERIES 2019 BONDS. SUCH TRANSACTIONS MAY CONSIST OF BIDS OR PURCHASES FOR THE PURPOSE OF MAINTAINING THE PRICE OF THE SERIES 2019 BONDS. IN ADDITION, IF THE UNDERWRITERS OVERALLOT (THAT IS, SELLS MORE THAN THE AGGREGATE PRINCIPAL AMOUNT OF THE SERIES 2019 BONDS SET FORTH ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT) AND THEREBY CREATE A SHORT POSITION IN THE SERIES 2019 BONDS IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY REDUCE THAT SHORT POSITION BY PURCHASING SERIES 2019 BONDS IN THE OPEN MARKET. IN GENERAL, PURCHASES OF A SECURITY FOR THE PURPOSE OF STABILIZATION OR TO REDUCE A SHORT POSITION COULD CAUSE THE PRICE OF A SECURITY TO BE HIGHER THAN IT MIGHT OTHERWISE BE IN THE ABSENCE OF SUCH PURCHASES. THE UNDERWRITERS MAKE NO REPRESENTATION OR PREDICTION AS TO THE DIRECTION OR THE MAGNITUDE OF ANY EFFECT THAT THE TRANSACTIONS DESCRIBED ABOVE MAY HAVE ON THE PRICE OF THE SERIES 2019 BONDS. IN ADDITION, THE UNDERWRITERS MAKE NO REPRESENTATION THEY WILL ENGAGE IN SUCH TRANSACTIONS OR THAT SUCH TRANSACTIONS, IF COMMENCED, WILL NOT BE DISCONTINUED WITHOUT NOTICE.

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 the Members of the Obligated Group and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the control of the Members of the Obligated Group, that could significantly affect current plans and expectations and the Obligated Group’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 the Obligated Group, (viii) changes in accounting standards and practices, (ix) changes in general economic conditions, (x) future divestitures or acquisitions which may result in additional changes, (xi) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms, (xii) the availability and terms of capital to fund expansion plans of the Obligated Group and to provide for ongoing capital expenditure needs, (xiii) changes in business strategy or development plans, (xiv) delays in receiving payments, (xv) the ability to implement shared services and other initiatives and realize decreases in administrative, supply and infrastructure costs, (xvi) the outcome of pending and any future litigation, (xvii) the Obligated Group’s continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures relating to their status as tax-exempt organizations as well as their ability to comply with the requirements of the Medicare and Medicaid programs, (xviii) the ability to achieve expected levels of patient volumes and control the costs of providing services, (xix) results of reviews of the Obligated Group’s cost reports, (xx) the Obligated Group’s ability to comply with recently enacted legislation and/or regulations, and (xxi) the risks set forth under the heading “**PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP**” 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 the Obligated Group. 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 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP**” herein and “**Northwell and the Obligated Group – Utilization Statistics and Payer Mix**” and “**– Management’s Discussion and Analysis of Recent Financial Performance**” 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. The Obligated Group does not plan to issue any updates or revisions to those forward-looking statements if or when changes in its expectations, or events, conditions or circumstances on which such statements are based, occur.

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DORMITORY AUTHORITY – STATE OF NEW YORK 515 BROADWAY, ALBANY, N.Y. 12207
 GERRARD P. BUSHELL – PRESIDENT ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO

\$202,325,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
NORTHWELL HEALTH OBLIGATED GROUP
REVENUE BONDS
consisting of

\$41,145,000	\$53,730,000	\$53,725,000	\$53,725,000
Series 2019A	Series 2019B-1	Series 2019B-2	Series 2019B-3

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and the appendices hereto, is to provide information about the Dormitory Authority of the State of New York (the “*Authority*”), Northwell Healthcare, Inc. (the “*Corporation*”) and the other Members of the Obligated Group (as each term is defined herein), in connection with the offering by the Authority of \$41,145,000 aggregate principal amount of its Northwell Health Obligated Group Revenue Bonds, Series 2019A (the “*Series 2019A Bonds*”), \$53,730,000 aggregate principal amount of its Northwell Health Obligated Group Revenue Bonds, Series 2019B-1 (the “*Series 2019B-1 Bonds*”), \$53,725,000 aggregate principal amount of its Northwell Health Obligated Group Revenue Bonds, Series 2019B-2 (the “*Series 2019B-2 Bonds*”) and \$53,725,000 aggregate principal amount of its Northwell Health Obligated Group Revenue Bonds, Series 2019B-3 (the “*Series 2019B-3 Bonds*” and, collectively with the Series 2019B-1 Bonds and the Series 2019B-2 Bonds, the “*Series 2019B Bonds*” and, the Series 2019B Bonds together with the Series 2019A Bonds, the “*Series 2019 Bonds*”).

The following is a brief description of certain information concerning the Series 2019 Bonds, the Authority, the Corporation and the other Members of the Obligated Group. A more complete description of such information and additional information that may affect decisions to invest in the Series 2019 Bonds is contained in this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in “**Certain Definitions**” in “**APPENDIX C**” hereto, and in “**Summary of Certain Provisions of the Master Trust Indenture**” in “**APPENDIX F**” hereto.

The Authority

The Authority is a public benefit corporation of the State of New York (the “*State*”), created for the purpose of financing and constructing a variety of public-purpose facilities for certain governmental, educational and not-for-profit institutions. See “**PART 7 – THE AUTHORITY**” herein.

Northwell

Northwell Health, Inc. (“*NHP*”), together with its member corporations and affiliated entities, constitutes an integrated health care delivery system comprised of 19 hospitals, three long-term care facilities, four certified home health care agencies, six trauma centers, a hospice network, over 750 ambulatory and physician practice locations, The Feinstein Institute for Medical Research and other controlled entities (collectively referred to as “*Northwell*”). The Corporation provides administrative and management services for Northwell-affiliated hospitals. The ultimate parent of Northwell is NHI. NHI is not a Member of the Obligated Group (as defined below).

The Corporation is the sole member (parent) of each of the following, which together with the Corporation comprise the Obligated Group (the “*Obligated Group*” and collectively, the “*Members*” and each a “*Member*” of the Obligated Group): North Shore University Hospital (“*NSUH*”), Long Island Jewish Medical Center (“*LJMC*”), Glen Cove Hospital (“*GCH*”), Plainview Hospital (“*PVH*”), Northwell Health Stern Family Center for Rehabilitation (“*Stern*”), Lenox Hill Hospital (“*Lenox*”), Southside Hospital (“*SH*”), Huntington Hospital Association d/b/a Huntington Hospital (“*HH*”) and Staten Island University Hospital (“*SIUH*”). Each Member of the Obligated Group is a New York not-for-profit corporation that is exempt from federal income tax under 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.

See “**Northwell and the Obligated Group**” in “**APPENDIX A**” hereto for a more complete description of Northwell and the Members of the Obligated Group. Important information on the financial condition of Northwell is set forth in “**Northwell and the Obligated Group**” in “**APPENDIX A**” hereto, in “**Audited Consolidated Financial Statements of Northwell Health, Inc. for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**” in “**APPENDIX B-1**” hereto, and in “**Unaudited Interim Consolidated Financial Statements of Northwell Health, Inc. for the Six Months Ended June 30, 2019 and 2018**” in “**APPENDIX B-2**” hereto, which should be read in their entirety.

Purpose of the Series 2019 Bonds

The proceeds of the sale of the Series 2019A Bonds will provide funds which, together with other available funds, will be used to (i) current refund all of the Authority’s North Shore-Long Island Jewish Obligated Group Revenue Bonds, Series 2009E (the “*Refunded Bonds*”); and (ii) pay costs of issuance on the Series 2019A Bonds.

The proceeds of the sale of the Series 2019B Bonds will provide funds which, together with other available funds, will be used to (i) finance the projects for NSUH, LJMC, GCH, SH, HH and SIUH (the “*Project*”); and (ii) pay costs of issuance on the Series 2019B Bonds. See “**PART 4 – PLAN OF FINANCE**” and “**PART 5 – ESTIMATED SOURCES AND USES OF FUNDS**” herein.

Taxable 2019A Bonds

The Corporation expects to issue its Northwell Health Taxable Bonds, Series 2019A (the “*Taxable 2019A Bonds*”) in an aggregate principal amount of \$447,675,000. Proceeds from the sale of the Taxable 2019A Bonds will be used by the Corporation to (i) finance general corporate purposes of the Corporation and various Members of the Obligated Group; and (ii) pay costs of issuance of the Taxable 2019A Bonds and other transaction costs incurred by the Corporation and various other Members of the Obligated Group (the “*Taxable Project*”). The Corporation currently expects that the Taxable 2019A Bonds will be delivered concurrently with the Series 2019 Bonds on or about September 26, 2019.

Authorization of Issuance

The Series 2019 Bonds will be issued pursuant to the Authority’s Northwell Health Obligated Group Revenue Bond Resolution adopted by the Authority on July 17, 2019 (the “*General Resolution*”), the Series 2019A Resolution Authorizing up to \$250,000,000 Northwell Health Obligated Group Revenue Bonds, Series 2019A adopted by the Authority on July 17, 2019 (the “*Series 2019A Resolution*”) and the Series 2019B Resolution Authorizing up to \$250,000,000 Northwell Health Obligated Group Revenue Bonds, Series 2019B adopted by the Authority on July 17, 2019 (the “*Series 2019B Resolution*” and, collectively with the Series 2019A Resolution and the General Resolution, the “*Resolution*”) and 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 amended from time to time, including, but not limited to, by 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 (the “*Act*”).

Additional Bonds may in the future be issued pursuant to the Resolution and each such series of Additional Bonds shall be separately secured by (i) the funds and accounts established pursuant to the applicable series resolutions, and (ii) the applicable Obligation to be issued by the Obligated Group pursuant to the Master Trust Indenture (as defined herein). The Series 2019 Bonds and all additional series of Additional Bonds hereafter issued pursuant to the Resolution are referred to herein as the “*Bonds*.” See “**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS**” herein. For a description of the long-term debt of the Corporation, see “**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – The Master Trust Indenture – General**” herein, “**Northwell and the Obligated Group**” in “**APPENDIX A**” hereto, “**Audited Consolidated Financial Statements of Northwell Health, Inc. for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**” in “**APPENDIX B-1**” hereto and “**Unaudited Interim Consolidated Financial Statements of Northwell Health, Inc. for the Six Months Ended June 30, 2019 and 2018**” in “**APPENDIX B-2**” hereto.

The proceeds of the Series 2019 Bonds will be loaned by the Authority to the Corporation pursuant to the Loan Agreement, dated as of July 17, 2019, between the Authority and the Corporation (the “*Loan Agreement*”). The Loan Agreement obligates the Corporation to make payments on and in the amounts sufficient to pay principal of and interest on the Series 2019 Bonds. The repayment obligations of the Corporation with regard to the Series 2019 Bonds are secured pursuant to Obligation No. 58 (the “*Series 2019 Obligation*”), issued under the Master Trust Indenture, dated as of July 1, 1998, as supplemented, amended and restated (the “*Master Trust Indenture*”) by and among the Members of the Obligated Group and The Bank of New York Mellon, as master trustee (the “*Master Trustee*”), including as supplemented by the Supplemental Indenture for Obligation No. 58, dated as of September 1, 2019 (the “*Supplemental Indenture*”) by and among the Members of the Obligated Group and the Master Trustee. See “**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Payment of and Security for the Series 2019 Bonds**” herein.

The Series 2019 Bonds

The Series 2019A Bonds will be issued as fixed rate 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 inside cover page hereof. Interest on the Series 2019A Bonds will be payable semiannually on each May 1 and November 1, commencing November 1, 2019. See “**PART 3 – THE SERIES 2019 BONDS– Series 2019A Bonds**” herein.

The Series 2019B Bonds will be issued as multimodal bonds. The Series 2019B Bonds will initially bear interest in a Long-Term Mode at a Long-Term Rate. The initial Long-Term Interest Rate Period for the Series 2019B-1 Bonds shall begin on the date of delivery of the Series 2019B-1 Bonds and end on and include April 30, 2022. The Series 2019B-1 Bonds shall be subject to mandatory tender for purchase on May 1, 2022. The initial Long-Term Interest Rate Period for the Series 2019B-2 Bonds shall begin on the date of delivery of the Series 2019B-2 Bonds and end on and include April 30, 2024. The Series 2019B-2 Bonds shall be subject to mandatory tender for purchase on May 1, 2024. The initial Long-Term Interest Rate Period for the Series 2019B-3 Bonds shall begin on the date of delivery of the Series 2019B-3 Bonds and end on and include April 30, 2026. The Series 2019B-3 Bonds shall be subject to mandatory tender for purchase on May 1, 2026. Prior to the applicable Long-Term Rate Mandatory Purchase Date, interest on the Series 2019B Bonds will be payable semiannually on each May 1 and November 1, commencing November 1, 2019. **The obligation of the Corporation to pay the purchase price of tendered Bonds on the dates set forth above will not be supported or insured by any liquidity facility or other credit enhancement.** See “**PART 3 – THE SERIES 2019 BONDS – Series 2019B Bonds**” herein.

Payment of the Series 2019 Bonds

The Series 2019 Bonds are special limited obligations of the Authority payable solely from the Revenues. The Revenues include certain payments to be made by the Corporation under the Loan Agreement or to be made by the Obligated Group on the Series 2019 Obligation, all of which payments are pledged and assigned to The Bank of New York Mellon, as bond trustee (the “*Bond Trustee*”). The Corporation’s payment obligations under the Loan Agreement with respect to the Series 2019 Bonds are general obligations of the Corporation secured by the Series 2019 Obligation issued under the Master Trust Indenture. The Series 2019 Obligation constitutes the joint and several general obligation of each Member of the Obligated Group. See “**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Payment of and Security for the Series 2019 Bonds,**” and “**– The Master Trust Indenture**” herein.

Source of Payment and Security for the Series 2019 Bonds

The Series 2019 Bonds will be secured by the payments described above to be made under the Loan Agreement, all funds and accounts authorized under and established by the General Resolution and established by the Series 2019A Resolution, with respect to the Series 2019A Bonds, and the Series 2019B Resolution, with respect to the Series 2019B Bonds (with the exception of the Arbitrage Rebate Fund), payments to be made by the Obligated Group under the Series 2019 Obligation, the Obligated Group’s pledge of Gross Receipts (as described herein) granted to the Master Trustee and the Mortgages granted to the Master Trustee, all as described herein. Pursuant to the terms of the General Resolution, the funds and accounts established and pledged by the Series 2019A Resolution secure only the Series 2019A Bonds, and the funds and accounts established and pledged by the Series 2019B Resolution secure only the Series 2019B Bonds, and do not secure any other Series of Bonds issued under the General Resolution, regardless of their dates of issue. See “**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Payment of and Security for the Series 2019 Bonds**” herein.

The Series 2019 Bonds are not a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

No Mortgage has been specifically granted exclusively to secure the Series 2019 Obligation.

Additional Indebtedness

Each Member of the Obligated Group, upon compliance with the terms and conditions of the Master Trust Indenture, may incur Additional Indebtedness. Such Additional Indebtedness, if evidenced by an Obligation issued under the Master Trust Indenture, will constitute a joint and several general obligation of each Member of the Obligated Group secured on a parity basis by the security interest in Gross Receipts and the Mortgages with the Series 2019 Obligation and all other Obligations heretofore or hereafter issued under the Master Trust Indenture. See **“PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – The Master Trust Indenture.”**

Under certain conditions, the Members may incur Indebtedness that is not evidenced or secured by an Obligation issued under the Master Trust Indenture. Any such other Indebtedness may be unsecured or secured by a Lien on Property to the extent such Lien is permitted under the Master Trust Indenture. See **“Summary of Certain Provisions of the Master Trust Indenture”** in **“APPENDIX F”** hereto.

Certain Expected Amendments to the Master Trust Indenture

The Members of the Obligated Group are in the process of implementing certain amendments to the Master Trust Indenture. Such proposed amendments are described below under **“PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Certain Expected Amendments to the Master Trust Indenture – The Springing Amendments”** and in **“The Springing Amendments to the Master Trust Indenture”** in **“APPENDIX G”** hereto (the *“Springing Amendments”*). By their purchase of the Series 2019 Bonds and the Taxable 2019A Bonds, the original purchasers thereof (i) shall consent, and shall be deemed to have consented, to the Springing Amendments to the Master Trust Indenture described below under **“PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Certain Expected Amendments to the Master Trust Indenture – The Springing Amendments”** and in **“The Springing Amendments to the Master Trust Indenture”** in **“APPENDIX G”** hereto, and (ii) shall waive, and shall be deemed to have waived, any and all other formal notice, implementation, execution or timing requirements that may otherwise be required under the Master Trust Indenture in order to implement the Springing Amendments. See **“PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Certain Expected Amendments to the Master Trust Indenture – The Springing Amendments”** and **“The Springing Amendments to the Master Trust Indenture”** in **“APPENDIX G”** hereto.

Risk Factors and Regulatory Provisions that May Affect Northwell and the Obligated Group

There are risks and other investment considerations associated with the purchase of the Series 2019 Bonds. See **“PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP”** herein for a discussion of some of these risks and other investment considerations.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended (*“Rule 15c2-12”*), the

Corporation will enter into a written agreement (the “*Continuing Disclosure Agreement*”) with Digital Assurance Certification LLC (“*DAC*”), as disclosure dissemination agent, and the Bond Trustee. The form of the Continuing Disclosure Agreement is attached as “**Proposed Form of Agreement to Provide Continuing Disclosure**” in “**APPENDIX I**” hereto. See “**PART 16 – CONTINUING DISCLOSURE**” herein.

PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS

*Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2019 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 Loan Agreement, the Master Trust Indenture, the Supplemental Indenture, the Series 2019 Obligation and the Mortgages. Copies of the Act, the Resolution, the Loan Agreement, the Master Trust Indenture, the Supplemental Indenture, the Series 2019 Obligation and the Mortgages are on file with the Authority 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, “**Summary of Certain Provisions of the Master Trust Indenture**” in “**APPENDIX F**” hereto and “**The Springing Amendments to the Master Trust Indenture**” in “**APPENDIX G**” hereto for a more complete statement of the rights, duties and obligations of the parties thereto.*

Payment of and Security for the Series 2019 Bonds

General

The Series 2019 Bonds issued under the Resolution are special limited obligations of the Authority. The principal of, redemption price, if any, and interest on the Series 2019 Bonds are payable solely from the Revenues and all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Resolution. The Revenues consist of the payments required to be made by the Corporation under the Loan Agreement or to be made by the Obligated Group under the Series 2019 Obligation to be issued with respect to the Series 2019 Bonds on account of the principal of, redemption price, if any, and interest on the Series 2019 Bonds. The Revenues have been assigned by the Authority to the Bond Trustee for the benefit of the holders of the Series 2019 Bonds.

The Corporation’s payment obligations under the Loan Agreement with respect to the Series 2019 Bonds are general obligations of the Corporation secured by the Series 2019 Obligation issued under the Master Trust Indenture. The Series 2019 Obligation constitutes the joint and several general obligation of each Member of the Obligated Group. The Series 2019 Obligation will be issued to the Authority, which will assign all payments under the Series 2019 Obligation to the Bond Trustee for the benefit of the Bondholders.

The Authority has directed the Corporation, and the Corporation has agreed, to make the payments under the Loan Agreement directly to the Bond Trustee. Any payments made on the Series 2019 Obligation shall also be made directly to the Bond Trustee. The Loan Agreement obligates the Corporation to make payments on and in the amounts sufficient to pay scheduled interest payments and to pay, among other things, the principal of and interest on the Series 2019 Bonds on the third Business Day preceding the date on which they become due, and to make any payments due under the Series 2019 Obligation. See “**PART 3 – THE SERIES 2019 BONDS – The Series 2019A Bonds – Redemption Provisions**” and “**– The Series 2019B Bonds – Mandatory Tender for Purchase**” and “**– The Series 2019B Bonds – Redemption Provisions**” herein.

The Series 2019 Bonds will be secured by the payments described above to be made under the Loan Agreement, all funds and accounts authorized under the Resolution (with the exception of the Arbitrage Rebate Fund), payments to be made by the Obligated Group under the Series 2019 Obligation, the Obligated Group's pledge of Gross Receipts and the Mortgages, all as described herein. Pursuant to the terms of the Resolution, the funds and accounts established and pledged by the Series 2019A Resolution and the Series 2019B Resolution secure only the Series 2019A Bonds and the Series 2019B Bonds, respectively, 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 2019 Bonds. See "**Summary of Certain Provisions of the Resolution**" in **APPENDIX E** hereto.

The actual realization of amounts to be derived upon the enforcement of any security interest securing the Series 2019 Bonds will depend upon the exercise of various remedies specified by the Loan Agreement, the Resolution, the Mortgages and the Master Trust Indenture. These and other remedies may, in many respects, require judicial action of a nature that is often subject to discretion and delay. Under existing law, the remedies specified by the Loan Agreement, the Resolution, the Mortgages and the Master Trust Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Series 2019 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, fraudulent conveyance, reorganization and other laws affecting the enforcement of creditors' rights generally. See "**PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP**" and "**Summary of Certain Provisions of the Master Trust Indenture**" in "**APPENDIX F**" hereto.

The Master Trust Indenture

General

Pursuant to the Master Trust Indenture, each Obligation issued thereunder, including the Series 2019 Obligation, is a joint and several general obligation of each Member of the Obligated Group. The Master Trust Indenture includes a pledge of a security interest in the Gross Receipts of each Member of the Obligated Group made to the Master Trustee to secure on a parity basis all Obligations theretofore and thereafter issued under the Master Trust Indenture. Pursuant to the Master Trust Indenture, the Master Trustee holds the prior Mortgages from each Member of the Obligated Group (except the Corporation) granted to secure all Obligations issued under the Master Trust Indenture on a parity basis. See "**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – The Mortgages.**" As described in "**Summary of Certain Provisions of the Master Trust Indenture – Limitations on Creation of Liens**" and "**– Limitations on Indebtedness**" in "**APPENDIX F**" hereto, under certain circumstances the Members of the Obligated Group may create Liens on Property or incur Indebtedness. The Members may not create or suffer to be created any Lien on Property other than Permitted Liens. The Master Trust Indenture states that the Mortgages shall serve as additional security for all Obligations issued and to be issued under the Master Trust Indenture. The Liens created by the Mortgages are Permitted Liens. The Master Trust Indenture provides that the distribution of proceeds from the enforcement or foreclosure of the Mortgages and any future Mortgage will be pro rata based on the outstanding principal amount (after deducting certain amounts) of the Obligations secured by the Mortgages, thereby effectively placing all Obligations on parity with respect to foreclosure proceeds regardless of the order of priority of the liens granted under such Mortgages and any future Mortgages; provided, however, no assurance can be given that such provisions of the Master Trust Indenture that indicate the intention of the Obligated Group to equally and ratably secure all Obligations with regard to any foreclosure proceeds of a Mortgage will bind other creditors or Obligation holders that are not secured pursuant to the terms of a specific Mortgage. See "**– The Mortgages**" in this section. **As described herein, once the Springing Amendments take effect**

any or all of the Mortgages may be released and discharged by the Master Trustee upon the written direction of the Obligated Group Representative. See. “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Certain Expected Amendments to the Master Trust Indenture – The Springing Amendments – Allowing Elimination of Mortgages ” herein.

No Mortgage has been specifically granted exclusively to secure the Series 2019 Obligation.

Upon the issuance of the Series 2019 Bonds and the Taxable 2019A Bonds and the application of the proceeds thereof, there will be parity Obligations securing debt in the aggregate principal amount of \$3,351,354,000 Outstanding under the Master Trust Indenture, and it is expected that there will also be Obligations in the amount of approximately \$410 million securing letters of credit for workers compensation coverage. Members of the Obligated Group have previously arranged (and may again in the future arrange) for Obligations to secure swaps and letters of credit (which will, for example, support insurance policies such as noted in “**Northwell and the Obligated Group – Risk Management and Commercial Insurance Program**” in “**APPENDIX A**” hereto or to substitute for trustee-held debt service reserve funds). The Members of the Obligated Group may issue additional Obligations that are intended by the Obligated Group to be secured by the security interest in Gross Receipts and the Mortgages on a parity with the Series 2019 Obligation and all previously issued Obligations. See “**Summary of Certain Provisions of the Master Trust Indenture – Limitations on Indebtedness**” in “**APPENDIX F**” hereto for a description of the conditions whereby the Members of the Obligated Group may issue additional Obligations.

THE MASTER TRUST INDENTURE PERMITS EACH MEMBER OF THE OBLIGATED GROUP TO ISSUE OR INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS THAT WILL SHARE THE SECURITY FOR THE SERIES 2019 OBLIGATION EVIDENCED BY THE PLEDGE OF GROSS RECEIPTS AND THE MORTGAGES. SUCH ADDITIONAL OBLIGATIONS WILL NOT BE SECURED BY ANY OTHER MONEY OR INVESTMENTS IN ANY FUND OR ACCOUNT HELD BY THE BOND TRUSTEE FOR THE SECURITY OF THE SERIES 2019 BONDS.

Security Interest in Gross Receipts

As security for the Obligations of the Members of the Obligated Group under the Master Trust Indenture, each Member of the Obligated Group has pledged to the Master Trustee a security interest in its Gross Receipts, consisting of all receipts, revenues, income and other moneys (other than proceeds of borrowing) received or receivable by or on behalf of a Member of the Obligated Group and all other amounts available to a Member of the Obligated Group from any other source; provided, however, that Gross Receipts do not include (x) gifts, grants, bequests, donations, and contributions and any income derived therefrom, to the extent specifically restricted by the donor or grantor to a special object or purpose inconsistent with (i) paying debt service on an Obligation or (ii) meeting any commitment of a Member under a Related Loan Agreement, (y) funds which are established and maintained with fees collected in private practice by physicians who are employed by a Member of the Obligated Group, or (z) all receipts, revenues, income and other moneys received or receivable by or on behalf of a Member of the Obligated Group and the proceeds thereof and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from Excluded Property which constitutes real property. See “**PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP – Enforceability of Lien on Gross Receipts**” herein. See also “**Summary of Certain Provisions of the Master Trust Indenture – Security; Restrictions on Encumbering Property; Payment of Principal and Interest**” in “**APPENDIX F**” hereto.

The Master Trustee’s security interest in the Gross Receipts described above 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 the perfection of such security interests or give public notice thereof. See “**PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP – Enforceability of Lien on Gross Receipts**” herein.

Particular Covenants

Subject to the terms of the Master Trust Indenture, any Persons that are not Members of the Obligated Group and corporations that are successor corporations to any Member of the Obligated Group through merger or consolidation as permitted by the Master Trust Indenture may become a Member of the Obligated Group. The Members of the Obligated Group are subject to covenants under the Master Trust Indenture relating to maintenance of a Long-Term Debt Service Coverage Ratio and restricting, among other things, incurrence of Indebtedness, existence of Liens on Property, consolidation and merger, disposition of assets, permitted releases of portions of the Mortgaged Property or permitted modifications of the Mortgages, addition of Members to the Obligated Group and withdrawal of Members from the Obligated Group. See “**Summary of Certain Provisions of the Master Trust Indenture**” in “**APPENDIX F**” hereto.

In addition, the Members of the Obligated Group covenant with the Holder of the Series 2019 Obligation, as set forth in the Supplemental Indenture, that in no event will the Long-Term Debt Service Coverage Ratio be less than 1.00 as of the end of any Fiscal Year. Such covenant is made solely for the benefit of the Holder of the Series 2019 Obligation.

Covenants Related to Other Indebtedness

The Obligated Group Members are parties to certain agreements with Obligation holders that contain certain covenants for the sole benefit of such holders, which are in addition to, and in some cases, more restrictive than the provisions of the Master Trust Indenture. Such Obligation holders may modify, amend or waive the covenants in their respective agreement in their sole discretion at any time without the consent of or any notice to the owners of the Series 2019 Bonds or the holders of the Series 2019 Obligation. Failure of the Obligated Group Members to comply with covenants in those various agreements could result in an event of default under such agreement and, in certain circumstances, an acceleration under such agreement, and may create an event of default under the Master Trust Indenture permitting an acceleration of all Obligations, including the Series 2019 Obligation and, in certain circumstances, may permit the holders of 25% or more of the aggregate principal amount of all Obligations outstanding under the Master Trust Indenture to direct the Master Trustee to accelerate all Obligations outstanding under the Master Trust Indenture, including the Series 2019 Obligation issued for the benefit of the Series 2019 Bonds.

Certain Expected Amendments to the Master Trust Indenture

The Members of the Obligated Group are in the process of implementing the Springing Amendments. The Springing Amendments are described below under “– **The Springing Amendments**” and in “**The Springing Amendments to the Master Trust Indenture**” in “**APPENDIX G**” hereto. Section 6.02 of the Master Trust Indenture provides that the Master Trust Indenture may be amended with the consent of the Holders of not less than 51% in aggregate principal amount of the Obligations then Outstanding under the Master Trust Indenture and entitled to grant consents to amendments thereto. By their purchase of the Series 2019 Bonds and the Taxable 2019A Bonds, the original purchasers thereof (i) shall consent, and shall be deemed to have consented, to the Springing Amendments to the Master Trust

Indenture described below under “– **The Springing Amendments**” and in “**The Springing Amendments to the Master Trust Indenture**” in “**APPENDIX G**” hereto, and (ii) shall waive, and shall be deemed to have waived, any and all other formal notice, implementation, execution or timing requirements that may otherwise be required under the Master Trust Indenture in order to implement the Springing Amendments. Upon obtaining the consent of the Holders of not less than 51% in aggregate principal amount of all Obligations Outstanding under the Master Trust Indenture and entitled to grant consents to amendments thereto, some or all of such Springing Amendments, at the election of the Obligated Group Representative, will then be effective. After giving effect to the issuance of the Series 2019 Bonds and the Taxable 2019A Bonds (and thereby obtaining the consent of the original purchasers of such Series 2019 Bonds and Taxable 2019A Bonds as described above), and after giving effect to the redemption of the Refunded Bonds on the date of issuance of the Series 2019 Bonds, there will be approximately \$3,351,354,000 of Obligations Outstanding under the Master Trust Indenture, the Holders of which have the right to consent to the Springing Amendments, and the consent of the Holders of approximately \$1,606,919,000, or 47.9%, in aggregate principal amount of such Obligations (representing the consents of the Holders of Obligation No. 54, Obligation No. 57 and the Series 2019 Obligation that secure the Northwell Health Taxable Bonds, Series 2017A, the Taxable 2019A Bonds and the Series 2019 Bonds, respectively), shall have been obtained with respect to the Springing Amendments. As such, at the time of the issuance of the Series 2019 Bonds, the Holders of not less than 51% in aggregate principal amount of all Obligations shall not have been obtained with respect to the Springing Amendments. The Springing Amendments will not become effective unless and until the consent of the Holders of not less than 51% in aggregate principal amount of all Obligations Outstanding under the Master Trust Indenture and entitled to consent to amendments thereto has been obtained. Select Springing Amendments also require the consent of the Authority, which consent has been obtained. In addition, the terms and provisions of certain outstanding Indebtedness of the Obligated Group also currently require the consent of certain other entities before certain of the Springing Amendments can fully take effect under the documents related to such other outstanding Indebtedness. No assurance can be given as to whether, or when, or which of, the Springing Amendments will become effective.

The Springing Amendments.

The Springing Amendments consist of the following:

New Definitions. The following definitions would be added to Section 1.01 of the Master Trust Indenture:

“Bond Index” means, at the option of the Obligated Group Representative as directed by an Officer’s Certificate, either (i) the average rate on the Indebtedness in question during any twelve-month period ending within thirty (30) days prior to the date of calculation (or such lesser time period as such Indebtedness has been Outstanding), (ii) the average rate of a comparable variable rate interest index during any twelve-month period ending within thirty (30) days prior to the date of calculation (or such lesser time period as such comparable index has been determined), (iii) the 30-year Revenue Bond Index published most recently by The Bond Buyer, or a comparable index if such Revenue Bond Index is not so published, (iv) the SIFMA Index, or (v) such other interest rate or interest index as may be certified in writing to the Master Trustee as appropriate to the situation by the Obligated Group Representative.

“SIFMA” means the Securities Industry and Financial Markets Association, any successor thereto, or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Obligated Group Representative.

“SIFMA Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations (the SIFMA Municipal Swap Index), as

produced by Municipal Market Data and published or made available by SIFMA, or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Obligated Group Representative, and effective from such date.

“Transaction Test” means the Master Trustee shall have received any one of the following:

(i) an Officer’s Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available, assuming that the proposed additional Long-Term Indebtedness had been incurred, or that the proposed transaction had occurred, at the beginning of the most recent twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available, is not less than 1.10; or

(ii) an Officer’s Certificate demonstrating (a) that the Long-Term Debt Service Coverage Ratio for the most recent twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available was not less than 1.10, and (b) that the Long-Term Debt Service Coverage Ratio for each of the two full Fiscal Years following the computation then being made, or if later, following the estimated date of completion of the capital improvements or expenditures, if any, then being financed, is projected to be not less than 1.10 or, if less than 1.10 but at least 1.00, is projected to be greater than such ratio would have been if the proposed transaction had not taken place; or

(iii) an Officer’s Certificate demonstrating that immediately after the proposed transaction the aggregate principal amount of all outstanding Long-Term Indebtedness of the Members of the Obligated Group (excluding any Guaranty) will not exceed sixty-five percent (65%) of the sum of (a) the aggregate principal amount of all outstanding Long-Term Indebtedness of the Members of the Obligated Group (excluding any Guaranty) plus (b) the aggregate net assets of the Members of the Obligated Group.

A number of other definitions will be modified (“Balloon Long-Term Indebtedness,” “Long-Term Debt Service Requirement” and “Days Cash on Hand”) as set forth below.

Revised Definition of Balloon Long-Term Indebtedness. The definition of “Balloon Long-Term Indebtedness” in Section 1.01 of the Master Trust Indenture would be amended to change the reference to “25%” therein to “15%”.

Revised Definition of Long-Term Debt Service Requirement. Clause (a) of paragraph (i) of the definition of “Long-Term Debt Service Requirement” in the Master Trust Indenture, relating to Balloon Long-Term Indebtedness, would be amended to read as follows:

“(a) the amount of principal which would be payable in such period if such principal were amortized from the date of such calculation over a period of the longer of (I) thirty (30) years or (II) the remaining period to the final maturity of such Balloon Long-Term Indebtedness, in each case on a level debt service basis, and at an interest rate, at the option of the Obligated Group Representative, equal to either the actual rate borne by such Indebtedness on the date calculated, or an interest rate derived from the Bond Index, as such interest rate in either case may be determined by an Officer’s Certificate (in addition, the calculation of the Long-Term Debt Service Requirement for Outstanding Balloon Long-Term Indebtedness may be further adjusted upon delivery to the Master Trustee of (A) an Officer’s Certificate, dated within 90 days prior to the date of calculation

of the Long-Term Debt Service Requirement, stating that financing of a stated term (which shall not extend beyond 30 years after such date of calculation), amortization, and interest rate of Outstanding Balloon Long-Term Indebtedness is reasonably attainable by the Obligated Group to refund or otherwise directly or indirectly to refinance any amount of such Balloon Long-Term Indebtedness, in which case the principal of and premium, if any, and interest and other debt service charges on the amount of such Balloon Long-Term Indebtedness so certified to be refundable or refinanceable (whether or not any such refunding or refinancing is imminent) shall be excluded from the calculation of the Long-Term Debt Service Requirement and the principal of and premium, if any, and interest and other debt service charges (which need not be based upon level annual debt service) on the theoretical refunding or refinancing Indebtedness as so certified which would result from such theoretical refunding or refinancing if incurred on the first day of the Fiscal Year for which the Long-Term Debt Service Requirement is being calculated, shall be added to the calculation of such Long-Term Debt Service Requirement; and (B) an Officer's Certificate, accompanied by a written consent or agreement of the obligor on such Balloon Long-Term Indebtedness agreeing to retire (and such Balloon Long-Term Indebtedness shall permit the retirement of), or to fund a sinking fund or escrow for, the principal of such Balloon Long-Term Indebtedness according to a fixed schedule stated in such consent or agreement ending on or before the Fiscal Year in which such amount is due or could become due or payable in respect of any required purchase or maturity of such Balloon Long-Term Indebtedness, in which case the principal of (and, in the case of retirement, the premium, if any, and interest and other debt service charges on) such Balloon Long-Term Indebtedness shall be computed as if the same were due in accordance with such fixed schedule; provided that this clause (B) shall only be applicable to Outstanding Balloon Long-Term Indebtedness for which the installments of principal previously scheduled have been paid or funded on or before the times required by such previous schedule);”

Revised Definition of Days Cash on Hand. The definition of “Days Cash on Hand” in the Master Trust Indenture would be amended by changing the reference to “180 times” therein to “183 times” and by deleting the phrase “unrestricted marketable securities and other investments” in clause (i) of such definition and replacing such phrase with “unrestricted securities and other unrestricted investments”, such that the definition would read as follows:

““Days Cash On Hand” means, for purposes of Sections 18 and 19 of the Series 2011 Supplemental Indenture, for the Obligated Group, as of any date, the product of 365 times or 183 times, as the case may be, (i) the unrestricted cash and cash equivalents plus unrestricted securities and other unrestricted investments (in accordance with generally accepted accounting principles) as reflected in the financial statements of the Obligated Group as derived from the Audited Consolidated Financial Statements of the Health System, at December 31, and as reflected in the unaudited interim consolidated financial statements of the Obligated Group as derived from the unaudited financial statements of the Health System, at June 30, in each case plus board and management designated assets and interest funds in any trusteed funds which are to be applied to the current year’s interest expense, divided by (ii) the operating and non-operating expenses of the Obligated Group for the twelve or six months, as the case may be, 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 nonrecurring item.”

Accounting Changes and Flexibility. A new Section 1.03 would be added to the Master Trust Indenture, to read as follows:

“Section 1.03. Accounting Principles and Financial Reporting. (a) All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting

principles consistently applied, except as otherwise stated herein. 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 any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, then, notwithstanding any other provision to the contrary in this Master Indenture requiring that generally accepted accounting principles be consistently applied, such determination or computation shall be done in accordance with generally accepted accounting principles in effect on, at the sole option of the Obligated Group Representative, (i) the date such determination or computation is made for any purpose of this Master Indenture, (ii) September 1, 2017, or (iii) the date that this Section 1.03 becomes effective if the Obligated Group Representative delivers an Officer's Certificate to the Master Trustee explaining the basis for such treatment; provided that intercompany balances and liabilities among the Members of the Obligated Group shall be disregarded.

(b) Notwithstanding anything else in this Master Indenture to the contrary, in addition to those provisions of this Master Indenture which expressly permit the use of financial or other information on the basis of the Health System, in computing or calculating Balloon Long-Term Indebtedness, Book Value, Days Cash on Hand, Income Available for Debt Service, Indebtedness, Long-Term Debt Service Coverage Ratio, Long-Term Debt Service Requirement, Maximum Annual Debt Service, Operating Assets, Property, Property Plant and Equipment, Total Operating Revenues, Transaction Test or any other quantitative financial test or provision, the Obligated Group, at the option of the Obligated Group Representative, may, unless the context specifically requires otherwise, utilize financial and other information either (i) with respect to the Members of the Obligated Group in the aggregate or (ii), so long as the Obligated Group constitutes or is responsible for at least eighty percent (80%) of the assets or revenues of the Health System for the most recent Fiscal Year of the Health System, with respect to the Health System in the aggregate, with such percentage being calculated in a manner that excludes intercompany eliminations from the numerator of such calculation.

(c) The Members of the Obligated Group shall not be required to have the same Fiscal Year, and calculations of covenants in this Master Indenture may be made based upon any such differing Fiscal Years in the event that Members of the Obligated Group have differing Fiscal Years, notwithstanding anything to the contrary in this Master Indenture or in the definition of Fiscal Year in Section 1.01 of this Master Indenture.

(d) The provisions of this Section 1.03 shall be applicable and effective notwithstanding the provisions of Section 1.02(c), (f) and (g) hereof."

Accounts Receivable. Section 3.05(b)(ix) of the Master Trust Indenture, as relates to Liens on accounts receivable, would be amended by deleting the phrase "So long as no Event of Default exists under this Master Indenture,".

Lien Basket. Section 3.05(b)(x) of the Master Trust Indenture, as relates to the Lien basket, would be amended by (a) adding the phrase "or any other obligations or liabilities of a Member of the Obligated Group" after the phrase "which secures Indebtedness or Derivative Agreements", and (b) deleting the phrase "in aggregate 20% of Total Operating Revenue" and adding in its place the phrase "the greater of (i) in aggregate 20% of Total Operating Revenue or (ii) in aggregate 20% of the combined Book Value of the Property of the Obligated Group, in either case".

Allowing Swap Collateral. Section 3.05 of the Master Trust Indenture, relating to Permitted Liens, would be amended by adding a new paragraph: 3.05(b)(xxi) thereto, to read as follows:

“(xxi) Any Lien securing any Derivative Agreement or the obligations of any one or more Members of the Obligated Group under any Derivative Agreement, in each case which Derivative Agreement is related to Indebtedness (including any obligation arising upon the termination of any such Derivative Agreement), or that may be required from time to time to satisfy any collateralization requirements under any such Derivative Agreement.”

Bankers’ Liens. Section 3.05 of the Master Trust Indenture, relating to Permitted Liens, would be amended by adding a new paragraph: 3.05(b)(xxii) thereto, to read as follows:

“(xxii) Any Lien in the nature of a bankers’ lien or rights of set-off.”

Accountable Care Organizations. Section 3.05 of the Master Trust Indenture, relating to Permitted Liens, would be amended by adding a new paragraph: 3.05(b)(xxiii) thereto, to read as follows:

“(xxiii) Any Lien in favor of any members of, or participants in, an accountable care organization or similar arrangement to which a Member of the Obligated Group is a member or participant.”

The Authority Consent to Short-Term Debt. Section 3.06(c) of the Master Trust Indenture, relating to Short-Term Indebtedness, would be amended by deleting the first proviso phrase therein, which reads “; provided, however, if Related Bonds issued by the Authority are Outstanding, the Obligated Group must first obtain the written consent of the Authority prior to issuing Short-Term Indebtedness in excess of 15% of Total Operating Revenues for the most recent period of twelve consecutive months for which Audited Consolidated Financial Statements are available; and”.

Additional Permitted Dispositions. Section 3.08 of the Master Trust Indenture, relating to dispositions, would be amended by adding two new paragraphs: 3.08(a)(vii) and (a)(viii) thereto, to read as follows:

“(vii) To any affiliated physician or medical group practice provided that such transfer is used solely to subsidize or support salary and benefits of physician employees and ordinary course operating expenses of such group practice.

(viii) To any self-insurance trust or captive insurance company.”

Allowing As-of-Right Mergers Between Obligated Group Members. Section 3.09 of the Master Trust Indenture would be amended by adding a new proviso at the end of subsection (a)(iv) thereof, to read as follows:

“; provided, however, that the provisions of this subparagraph (iv) shall not be required to be satisfied if the merger or consolidation is only between or among Members of the Obligated Group.”

Fiscal Year. The provisions of Section 3.11(a)(ii) of the Master Trust Indenture, which reads “(ii) to adopt the same Fiscal Year as that of the Members of the Obligated Group”, would be deleted.

Allowing Elimination of Mortgages. Section 3.13 of the Master Trust Indenture would be amended by adding a new subsection (e) thereto, to read as follows:

“(e) Notwithstanding any other provisions in this Master Indenture, any Supplement, or any Obligation relating to the Mortgages or the release or amendments

thereof, the Master Trustee shall release and discharge all or any of the Mortgages upon the written direction of the Obligated Group Representative. Promptly upon receipt by the Master Trustee of such written direction, the Master Trustee shall, as directed by the Obligated Group Representative, take such action as may be necessary or appropriate to release and discharge any such Mortgages.”

Transaction Test. A new Section 3.14 would be added to the Master Trust Indenture, to read as follows:

“Section 3.14. **Transaction Test.** Notwithstanding, and in addition to, and as an alternative to, the provisions of Sections 3.05, 3.06, 3.08, 3.09, 3.11, 3.12 and 3.13 of this Master Indenture, (i) the Obligated Group or any Member of the Obligated Group may create or suffer to exist any Lien on Property (as an additional category of Permitted Lien); (ii) the Obligated Group or any Member of the Obligated Group may incur Additional Indebtedness; (iii) the Obligated Group or any Member of the Obligated Group may sell, lease, transfer or dispose of Operating Assets, or dispose of cash, investments, or other Property; (iv) the Obligated Group or any Member of the Obligated Group may merge or consolidate with an entity that is not a Member of the Obligated Group; (v) a Person may become a Member of the Obligated Group; (vi) a Member of the Obligated Group may withdraw from the Obligated Group; (vii) the Obligated Group or any Member of the Obligated Group may release or allow the release of any of the Mortgaged Property from the Lien of the Mortgages (as an additional category of Permitted Release); and (viii) the Obligated Group or any Member of the Obligated Group may modify or amend any of the Mortgages (as an additional category of Permitted Modification), in each case of clauses (i) through and including (viii) of this section, upon the delivery of an Officer’s Certificate to the Master Trustee demonstrating compliance with any one of the provisions of the Transaction Test.”

Elimination of Certain Amendment Restrictions. Section 6.01 of the Master Trust Indenture would be amended by deleting the proviso immediately following Section 6.01(h)(iii).

Elimination of Credit Facility Issuer Consent Requirement. Section 6.02(a) of the Master Trust Indenture would be amended by deleting the phrase “, with consent of each Credit Facility Issuer insuring Obligations or Related Bonds”.

Document Substitution. A new Section 6.04 would be added to the Master Trust Indenture, to read as follows:

“Section 6.04. **Document Substitution.** (a) This Master Indenture may be amended or supplemented as provided in Sections 6.01 and 6.02 of this Master Indenture.

(b) In addition, the Obligated Group and the Master Trustee, may, without the consent of any of the Holders of any Obligations or any Related Bonds, but only upon receipt by the Master Trustee of an Officer’s Certificate demonstrating satisfaction of the Substitution Transaction Test (as defined below), enter into one or more supplements, amendments, restatements, replacements or substitutions to this Master Indenture, to modify, amend, restate, supplement, replace, substitute, change or remove any covenant, agreement, term or provision of this Master Indenture, in whole or in part, including, but not limited to, an amendment, restatement or substitution of this Master Indenture, in whole to relate to all Related Bonds, or in part to relate to a portion of the Related Bonds, including but not limited to a series or subseries of the Related Bonds secured by payment obligations of the health care facilities on whose behalf the allocable portion of the proceeds of the

Related Bonds were utilized, or an affiliate of such health care facilities, in order to effect (i) the affiliation of the Obligated Group Representative, the Obligated Group, or any Members of the Obligated Group with any of the foregoing or with another entity or entities in order to create a new or modified credit group or structure or in order to provide for the inclusion of the Obligated Group Representative, the Obligated Group, or any Members of the Obligated Group in another obligated group, combined group or other unified credit group or structure, (ii) the release or discharge of any collateral securing the Related Bonds, including, but not limited to, the release or discharge of (A) any or all Obligations, in whole or in part, issued pursuant to this Master Indenture to secure the Related Bonds and (B) the Obligated Group Representative, the Obligated Group, or any Members of the Obligated Group from any or all liability (whether direct or indirect) with respect to the Related Bonds or a portion thereof, any Related Loan Agreement, any Related Bond Indenture, the Obligations, or this Master Indenture or any portion of any thereof, in consideration for the issuance of a note or notes to secure the Related Bonds or portion of the Related Bonds that are to become an obligation of the new affiliated entities or the new obligated group, combined group or other unified credit group, which note or notes would constitute obligations of the new affiliated entities or the members of the new obligated group, combined group or other unified credit group, and (iii) the replacement of all or a portion of the financial and operating covenants and related definitions set forth in this Master Indenture with those of the new affiliated entities or the new obligated group, combined group or other unified credit group, set forth in the new agreement or master indenture (such transaction is referred to collectively herein as the “Substitution Transaction”).

(c) The Substitution Transaction Test shall mean, and be satisfied if, the Obligated Group Representative delivers to the Master Trustee any one of the following:

(A) Rating Upgrade. An Officer’s Certificate demonstrating that, upon consummation of the Substitution Transaction, and after giving effect to such Substitution Transaction, (i) at least one rating agency that has provided a long-term rating on the publicly sold Related Bonds provides written confirmation or other evidence to the effect that the long-term rating by such rating agency on such Related Bonds will either be A+ or higher, or will be a higher rating category or rating modifier than the then-current rating immediately prior to the Substitution Transaction as a result of and giving effect to the implementation of the Substitution Transaction; and (ii) the new obligated group satisfies the Transaction Test, assuming the incurrence of \$1.00 of additional Long-Term Indebtedness; or

(B) Coverage Test. An Officer’s Certificate demonstrating (i) that the Long-Term Debt Service Coverage Ratio for the twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available, assuming the proposed Substitution Transaction had occurred at the beginning of such twelve (12) calendar month period, is not less than 1.75, and (ii) that the Long-Term Debt Service Coverage Ratio for each of the two full Fiscal Years following implementation of the Substitution Transaction is projected to be not less than 1.75, or if less than 1.75 but at least 1.00, is projected to be greater than such ratio would have been if the proposed Substitution Transaction had not been implemented, and (iii) the new obligated group satisfies the Transaction Test, assuming the incurrence of \$1.00 of additional Long-Term Indebtedness; or

(C) Rating Confirmation. In the event that the new obligated group, after giving effect to the Substitution Transaction, cannot satisfy the requirements of Paragraph (A) or (B) above, an Officer’s Certificate demonstrating that, upon

consummation of the Substitution Transaction, and after giving effect to the implementation of the Substitution Transaction, (i) at least two of the rating agencies that have provided a long-term rating on the publicly sold Related Bonds provide written confirmation or other evidence to the effect that the long-term ratings by each such rating agency on such Related Bonds, as a result of and giving effect to the implementation of the Substitution Transaction, will be no less than the then-current rating on such Related Bonds immediately prior to the implementation of the Substitution Transaction, or that the then-current rating will not be decreased or withdrawn as a result of the implementation of the Substitution Transaction (a rating decrease shall include instances where the rating category level remains unchanged but the rating modifier (such as “+” or “-”) is decreased as a result of the implementation of the Substitution Transaction, but a rating decrease shall not include instances where the outlook alone is decreased); (ii) the new obligated group satisfies the Transaction Test, assuming the incurrence of \$1.00 of additional Long-Term Indebtedness; and (iii) the new master indenture contains a pledge of gross revenues or gross receipts similar to the pledge of Gross Receipts established under this Master Indenture.

(d) Upon the implementation of the Substitution Transaction pursuant to paragraph (c) above, and concurrently therewith, the Master Trustee shall, as may be directed in writing by the Obligated Group Representative, at the option and direction of the Obligated Group Representative, release and discharge the pledge of and security interest in Gross Receipts (only in the case of (c)(A) or (B) above) or any or all of the Mortgages or any portions thereof (in the case of (c)(A), (B) or (C) above), and file or record or allow to be filed or recorded any releases, discharges or termination statements that may be applicable thereto.

(e) If all amounts due or to become due on the Related Bonds have not been fully paid to the Holders thereof, at or prior to the implementation of the Substitution Transaction there shall also be delivered to the Master Trustee: (i) an Opinion of Bond Counsel to the effect that under then existing law the implementation of the Substitution Transaction and the execution of the amendments, supplements, restatements, replacements or substitutions contemplated in this Section, in and of themselves, would not adversely affect the validity of the Related Bonds or the exclusion from federal income taxation of interest payable on the Related Bonds, and (ii) an Opinion of Counsel to the new affiliated entities or the new obligated group, combined group or other unified credit group to the effect that (1) the note or notes of the new affiliated entities or the new obligated group, combined group or other unified credit group to be delivered in connection with the implementation of the Substitution Transaction constitute legal, valid and binding obligations of the new affiliated entities or the new obligated group, combined group or other unified credit group enforceable in accordance with their terms, except to the extent that the enforceability of such note or notes may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar laws or enactment affecting the enforcement of creditors’ rights, and such other customary exceptions for similar transactions, and (2) the issuance of the note or notes will not cause the Related Bonds or such note or notes to become subject to the registration requirements pursuant to the Securities Act of 1933, as amended.

(f) Notwithstanding any other provisions of this Section 6.04, in no event may the implementation of the Substitution Transaction result in a change described in clause (i), (ii) or (iii) of Section 6.02(a) hereof without the receipt of the applicable level of consents required under such clauses.

(g) In addition, upon the implementation of the Substitution Transaction, the Obligated Group Representative shall direct the Master Trustee to give written notice thereof, by first-class mail, to the Holders of the Obligations then Outstanding.”

The Mortgages

The Mortgages granted by the Members of the Obligated Group on or prior to June 23, 2015 specifically secure Obligations issued pursuant to the Master Trust Indenture on or prior to that date. **No Mortgage has been specifically granted exclusively to secure the Series 2019 Obligation.** The Master Trust Indenture provides that each Obligation, heretofore or hereafter issued pursuant to the Master Trust Indenture, including the Series 2019 Obligation, is secured equally and ratably by Mortgages granted to the Master Trustee by the Members of the Obligated Group (other than the Corporation) on their core healthcare facilities, regardless of when granted and whether or not such Mortgage purports to secure future Obligations. However, no assurance can be given that such provision of the Master Trust Indenture will be upheld by a court in bankruptcy to the extent that an Obligation is not specifically covered by a Mortgage. Additionally, the Mortgage granted by Lenox on the premises known as the Manhattan Eye, Ear and Throat Institute, a Lenox outpatient center located on East 64th Street in Manhattan, is subordinate to a prior mortgage in favor of a commercial lender related to a loan outstanding in the approximate amount of \$19.3 million. The Master Trustee may release portions of the Mortgaged Property from the Lien of the Mortgages, or amend or modify any of the Mortgages, as provided in the Master Trust Indenture.

The Master Trust Indenture provides for the pro rata allocation of the proceeds of foreclosure of all or any of the Mortgages and any future Mortgage to payment of outstanding Obligations, including the Series 2019 Obligation and Obligations that secure all other existing and future bonds issued for the benefit of one or more Members of the Obligated Group and future Obligations issued under the Master Trust Indenture to secure other indebtedness. The pro rata allocation of such proceeds shall be based on the outstanding par amount of each Obligation issued under the Master Trust Indenture. The dollar amount secured by the Mortgages is less than the aggregate outstanding amount of all Obligations issued under the Master Trust Indenture. Accordingly, in the event of a default under the Master Trust Indenture, it may not be possible to realize the outstanding interest on and principal of the Series 2019 Bonds from a foreclosure upon, or a sale or lease of, the Mortgaged Property. See **“PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP – Realization of Value on Mortgaged Property”** herein.

As described above under **“– Certain Expected Amendments to the Master Trust Indenture – The Springing Amendments – Allowing Elimination of Mortgages”**, once the Springing Amendments take effect any or all of the Mortgages may be released and discharged by the Master Trustee upon the written direction of the Obligated Group Representative.

See **“Summary of Certain Provisions of the Master Trust Indenture – Permitted Releases and Permitted Modifications with Respect to the Mortgages”** in **“APPENDIX F”** hereto and **“The Springing Amendments to the Master Trust Indenture – 11. Allowing Elimination of Mortgages”** in **“APPENDIX G”** hereto.

Amendments of Resolution, Master Trust Indenture, Supplemental Indenture and Series 2019 Obligation

Each of the Resolution and the Master Trust Indenture provides for the modification or amendment of the Resolution and the Master Trust Indenture, respectively, from time to time, in certain circumstances without the consent of the Holders of the Bonds or the Holders of Obligations (including the Series 2019 Obligation or any other Obligation issued under the Master Trust Indenture to secure Additional Bonds),

respectively, and in other circumstances with the consent of the Holders of a majority of the principal amount of the Bonds issued and Outstanding under the Resolution, or with the consent of the Holders of a majority in aggregate principal amount of the outstanding Series 2019 Obligation and any other Obligation issued under the Master Trust Indenture to secure Additional Bonds, respectively. Such amendments could be substantial and result in the modification, waiver or removal of certain existing covenants or restrictions contained in the Resolution of the Master Trust Indenture. Such amendments could adversely affect the security of the Bondholders. See “**Summary of Certain Provisions of the Resolution** in “**APPENDIX E**” hereto and “**Summary of Certain Provisions of the Master Trust Indenture – Supplements Not Requiring Consent of Holders**” and “**– Supplements Requiring Consent of Holders**” in “**APPENDIX F**” hereto. No consent is required from the Holders or Beneficial Owners of the Series 2019 Bonds to any amendment to authorize the issuance of Additional Bonds under the Resolution.

As described herein, the Springing Amendments will not become effective unless and until the consent of the Holders of not less than 51% in aggregate principal amount of all Obligations Outstanding under the Master Trust Indenture and entitled to consent to amendments thereto has been obtained. By their purchase of the Series 2019 Bonds, the original purchasers thereof shall consent, and shall be deemed to have consented, to the Springing Amendments to the Master Trust Indenture. See “**– Certain Expected Amendments to the Master Trust Indenture**” above and “**The Springing Amendments to the Master Trust Indenture**” in “**APPENDIX G**” hereto.

Events of Default and Acceleration under the Resolution

The following constitute events of default under the Resolution with respect to the Series 2019 Bonds: (i) a default by the Authority in the payment when due of the principal of, including Sinking Fund Installments, purchase price, redemption price, or interest on any Series 2019 Bond; (ii) a default by the Authority in the due and punctual performance of any applicable tax covenant which results in the loss of the exclusion of interest on the Series 2019 Bonds from gross income under the Code; (iii) a default by the Authority in the due and punctual performance of any other covenants, conditions, agreements or provisions contained in the Series 2019 Bonds or in the Resolution which continues for thirty (30) days after written notice thereof is given to the Authority by the Bond Trustee (unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within thirty (30) days and diligently prosecutes the cure thereof), 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 Series 2019 Bonds; or (iv) an “Event of Default,” as defined in the Loan Agreement, arising out of or resulting from the failure of the Corporation to comply with the requirements of the Loan Agreement shall have occurred and is continuing and all sums payable by the Corporation under the Loan Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled). Failure of the Corporation to make payment under the Loan Agreement shall not constitute an Event of Default under the Loan Agreement if timely payment of the Series 2019 Obligation is made by the Obligated Group in place of the payment due under the Loan Agreement. If an Event of Default occurs under the Master Trust Indenture (as defined therein), such default shall constitute an Event of Default under the Loan Agreement. Unless all sums payable by the Corporation 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 50% in principal amount of the Series 2019 Bonds, by written notice to the Authority, declare the principal of and interest on the Series 2019 Bonds to be due and payable immediately. At the expiration of thirty (30) days after the giving of such notice, such principal and interest shall become immediately due

and payable. The Bond Trustee shall, with the written consent of the holders of not less than 50% in principal amount of Series 2019 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 after knowledge of the occurrence thereof, unless such event of 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 Installments or redemption price of, or interest on, any of the Series 2019 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 2019 Bonds.

PART 3 – THE SERIES 2019 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2019 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 the Authority 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 2019 Bonds.

The Series 2019A Bonds

Description of the Series 2019A Bonds

The Series 2019A Bonds will be issued pursuant to the General Resolution and the Series 2019A Resolution and will be dated and bear interest from their date of delivery, payable November 1, 2019 and on each May 1 and November 1 thereafter, at the rates, and will mature on the dates set forth on the inside cover page of this Official Statement.

The Series 2019A Bonds are being issued as fixed rate bonds, 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 2019A Bonds.

The Series 2019A 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 2019A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2019A Bonds, the Series 2019A Bonds will be exchangeable for other fully registered Series 2019A Bonds in any other authorized denominations of the same maturity 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 “**Book-Entry Only System**” herein and “**Summary of Certain Provisions of the Resolution**” in “APPENDIX E” hereto.

Interest on the Series 2019A Bonds will be payable by check mailed to the registered owners thereof; provided, however, that interest payable on any Interest Payment Date during which the Series 2019A Bonds are Book Entry Bonds shall be paid by wire transfer to the Depository for the Series 2019A Bonds or its nominee, at the wire transfer address therefor. See “**Book-Entry Only System**” herein.

Redemption Provisions

The Series 2019A Bonds are subject to optional and special redemption as described below.

Optional Redemption. The Series 2019A Bonds maturing on or after May 1, 2030 are subject to redemption prior to maturity, at the election or direction of the Authority at the direction of the Corporation, on or after May 1, 2029, in any order, as a whole or in part at any time, at the Redemption Price equal to 100% of the principal amount of the Series 2019A Bonds being redeemed plus accrued interest to the redemption date. The Series 2019A Bonds maturing on or before May 1, 2029 are not subject to optional redemption prior to maturity.

Purchase in Lieu of Optional Redemption. The Series 2019A Bonds maturing on or after May 1, 2030 are also subject to purchase in lieu of optional redemption prior to maturity at the election of the Corporation, on or after May 1, 2029, in any order, as a whole or in part, at any time, at a price of 100% of the principal amount of Series 2019A Bonds to be purchased, plus accrued interest to the purchase date.

Special Redemption. The Series 2019A Bonds are subject to redemption prior to maturity, in whole or in part, at the Redemption Price equal to 100% of the principal amount of Series 2019A Bonds to be redeemed plus accrued interest to the redemption date at the option of the Authority, at any time, from (i) the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project, or (ii) from unexpended proceeds of the Series 2019A Bonds upon the abandonment of all or a portion of the Project due to a legal or regulatory impediment.

Selection of Series 2019A Bonds to be Redeemed. In the case of redemption of Series 2019A Bonds, the Authority, at the direction of the Corporation, will select the maturity of the Series 2019A Bonds to be redeemed. If less than all of the Series 2019A Bonds of a maturity are to be redeemed, the Series 2019A Bonds of such maturity to be redeemed 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. The Bond Trustee is to give notice of the redemption of the Series 2019A Bonds in the name of the Authority, by first class mail, postage prepaid, at least 30 days but not more than 45 days prior to the redemption date to the registered owners of any Series 2019A Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority. Notice of redemption may be conditioned on receipt by the Trustee on or prior to the redemption date of moneys sufficient to pay the principal of, premium, if any, and interest on such Series 2019A Bonds to be redeemed. Failure of any owner to receive such notice will not affect the validity of the proceedings for the redemption of the Series 2019A Bonds with respect to which notice was given in accordance with the Resolution.

If on the redemption date moneys for the redemption of the Series 2019A Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, are held by the Bond Trustee so as to be available therefor on such date and if notice of redemption has been mailed as provided above, then, from and after the redemption date, interest on the Series 2019A Bonds or portion thereof to be redeemed will cease to accrue from and after the redemption date such Series 2019A Bonds will no longer be considered to be Outstanding under the Resolution.

For a description of certain other provisions relating to the Series 2019A 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 2019A Bonds will be given by the Bond Trustee in the same manner as for notice of redemption described above

under “*Notice of Redemption*.” No purchased Series 2019A Bond shall be considered to be no longer outstanding by virtue of its purchase.

All such purchases may be subject to conditions to the Corporation’s obligation to purchase the Series 2019A Bonds and shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for such purchase. Notice of purchase having been given in the manner required above, then, if sufficient money to pay the purchase price of the Series 2019A Bonds is held by the Bond Trustee, the purchase price of the Series 2019A Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase.

In the event not all of the Outstanding Series 2019A Bonds of a maturity are to be purchased, the Series 2019A Bonds to be purchased will be selected by the Bond Trustee by lot in the same manner as Series 2019A Bonds of a maturity to be redeemed in part are to be selected as described above under “*Selection of Series 2019A Bonds to be Redeemed*.”

For a description of certain other provisions relating to the Series 2019A Bonds, see “**Summary of Certain Provisions of the Resolution**” in “**APPENDIX E**” hereto. See also “**Book-Entry Only System**” below for a description of the notices of redemption to be given to Beneficial Owners of the Series 2019A Bonds when the Book-Entry Only System is in effect.

The Series 2019B Bonds

This Official Statement only describes the Series 2019B Bonds during the initial Long-Term Period while in the Long-Term Mode and does not describe (i) any other interest rate mode into which the Series 2019B Bonds may be converted, (ii) any provision relating to the tender provisions applicable to the Series 2019B Bonds after any such conversion, or (iii) the remarketing of the Series 2019B Bonds upon any such conversion and the application of the proceeds thereof. A remarketing of the Series 2019B 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 2019B Bonds

The Series 2019B Bonds will be issued pursuant to the General Resolution and the Series 2019B Resolution. The Series 2019B Bonds will initially bear interest in a Long-Term Mode at a Long-Term Rate. The initial Long-Term Interest Rate Period for the Series 2019B-1 Bonds shall begin on the date of delivery of the Series 2019B-1 Bonds and end on and include April 30, 2022. The Series 2019B-1 Bonds shall be subject to mandatory tender for purchase on May 1, 2022. The initial Long-Term Interest Rate Period for the Series 2019B-2 Bonds shall begin on the date of delivery of the Series 2019B-2 Bonds and end on and include April 30, 2024. The Series 2019B-2 Bonds shall be subject to mandatory tender for purchase on May 1, 2024. The initial Long-Term Interest Rate Period for the Series 2019B-3 Bonds shall begin on the date of delivery of the Series 2019B-3 Bonds and end on and include April 30, 2026. The Series 2019B-3 Bonds shall be subject to mandatory tender for purchase on May 1, 2026. Prior to the applicable Long-Term Rate Mandatory Purchase Date, interest on the Series 2019B Bonds shall be payable November 1, 2019 and on each May 1 and November 1 thereafter. The obligation of the Corporation to pay the purchase price of tendered Series 2019B Bonds on the dates set forth above will not be supported or insured by any liquidity facility or other credit enhancement.

All or a portion of the Series 2019B Bonds of a subseries may be subject to mandatory tender for purchase and converted to a new Long-Term Interest Rate Period and/or converted to different interest rate modes on any date on which the Series 2019B Bonds of the applicable subseries are subject to optional redemption, as provided in the Bond Series Certificate relating to the Series 2019B Bonds. See

“Redemption Provisions –Optional Redemption” below. *This Official Statement does not describe any other interest rate mode into which the Series 2019B Bonds may be converted.*

The Series 2019B 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 2019B Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2019B Bonds, the Series 2019B Bonds will be exchangeable for other fully registered Series 2019B Bonds in any other authorized denominations of the same maturity 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 **“Book-Entry Only System”** herein and **“Summary of Certain Provisions of the Resolution”** in **“APPENDIX E”** hereto.

Interest on the Series 2019B Bonds will be payable by check mailed to the registered owners thereof; provided, however, that interest payable on any Interest Payment Date during which the Series 2019B Bonds are Book Entry Bonds shall be paid by wire transfer to the Depository for the Series 2019B Bonds or its nominee, at the wire transfer address therefor. See **“Book-Entry Only System”** herein.

Mandatory Tender for Purchase

The Series 2019B-1 Bonds shall be subject to mandatory tender for purchase on May 1, 2022, at a Purchase Price equal to 100% of the principal amount of the Series 2019B-1 Bonds plus accrued interest to the tender date. The Series 2019B-2 Bonds shall be subject to mandatory tender for purchase on May 1, 2024, at a Purchase Price equal to 100% of the principal amount of the Series 2019B-2 Bonds plus accrued interest to the tender date. The Series 2019B-3 Bonds shall be subject to mandatory tender for purchase on May 1, 2026, at a Purchase Price equal to 100% of the principal amount of the Series 2019B-3 Bonds plus accrued interest to the tender date.

Redemption Provisions

The Series 2019B Bonds are subject to optional redemption, and special and mandatory redemption, all as described below.

Optional Redemption. The Series 2019B-1 Bonds are subject to redemption prior to maturity, at the election or direction of the Authority at the direction of the Corporation, on or after November 1, 2021, in any order, as a whole or in part at any time, at the Redemption Price equal to 100% of the principal amount of the Series 2019B-1 Bonds being redeemed plus accrued interest to the redemption date.

The Series 2019B-2 Bonds are subject to redemption prior to maturity, at the election or direction of the Authority at the direction of the Corporation, on or after November 1, 2023, in any order, as a whole or in part at any time, at the Redemption Price equal to 100% of the principal amount of the Series 2019B-2 Bonds being redeemed plus accrued interest to the redemption date.

The Series 2019B-3 Bonds are subject to redemption prior to maturity, at the election or direction of the Authority at the direction of the Corporation, on or after November 1, 2025, in any order, as a whole or in part at any time, at the Redemption Price equal to 100% of the principal amount of the Series 2019B-3 Bonds being redeemed plus accrued interest to the redemption date.

As discussed above, the Series 2019B Bonds are also subject to mandatory tender for purchase at the election or direction of the Authority at the direction of the Corporation on any date on which such Series 2019B Bonds are subject to optional redemption.

Purchase in Lieu of Optional Redemption. The Series 2019B-1 Bonds maturing are also subject to purchase in lieu of optional redemption prior to maturity at the election of the Corporation or the Obligated Group Representative, on or after November 1, 2021, in any order, as a whole or in part, at any time, at a price of 100% of the principal amount of Series 2019B-1 Bonds to be purchased, plus accrued interest to the purchase date.

The Series 2019B-2 Bonds are also subject to purchase in lieu of optional redemption prior to maturity at the election of the Corporation or the Obligated Group Representative, on or after November 1, 2023, in any order, as a whole or in part, at any time, at a price of 100% of the principal amount of Series 2019B-2 Bonds to be purchased, plus accrued interest to the purchase date.

The Series 2019B-3 Bonds are also subject to purchase in lieu of optional redemption prior to maturity at the election of the Corporation or the Obligated Group Representative, on or after November 1, 2025, in any order, as a whole or in part, at any time, at a price of 100% of the principal amount of Series 2019B-3 Bonds to be purchased, plus accrued interest to the purchase date.

Special Redemption. The Series 2019B Bonds are subject to redemption prior to maturity, in whole or in part, at the Redemption Price equal to 100% of the principal amount of Series 2019B Bonds to be redeemed plus accrued interest to the redemption date at the option of the Authority, at any time, from (i) the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project, or (ii) from unexpended proceeds of the Series 2019B Bonds upon the abandonment of all or a portion of the Project due to a legal or regulatory impediment.

Mandatory Redemption. The Series 2019B-1 Bonds described below are also subject to redemption prior to maturity, in part, on each May 1 of the years and in the respective principal amounts set forth below, at the Redemption Price equal to 100% of the principal amount thereof being 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 May 1 of each year the principal amount of Series 2019B-1 Bonds specified for each of the years shown below:

<u>May 1,</u>	<u>Amount</u>
2031	\$335,000
2032	365,000
2033	400,000
2034	435,000
2035	465,000
2036	500,000
2037	535,000
2038	565,000
2039	600,000
2040	2,730,000
2041	2,520,000
2044	6,665,000
2045	13,335,000
2048 [†]	24,280,000

[†] Final maturity.

The Series 2019B-2 Bonds described below are also subject to redemption prior to maturity, in part, on each May 1 of the years and in the respective principal amounts set forth below, at the Redemption Price equal to 100% of the principal amount thereof being 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 May 1 of each year the principal amount of Series 2019B-2 Bonds specified for each of the years shown below:

<u>May 1,</u>	<u>Amount</u>
2031	\$335,000
2032	365,000
2033	400,000
2034	435,000
2035	465,000
2036	500,000
2037	535,000
2038	565,000
2039	600,000
2040	2,730,000
2041	2,520,000
2044	6,665,000
2045	13,335,000
2048 [†]	24,275,000

[†] Final maturity.

The Series 2019B-3 Bonds described below are also subject to redemption prior to maturity, in part, on each May 1 of the years and in the respective principal amounts set forth below, at the Redemption Price equal to 100% of the principal amount thereof being 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 May 1 of each year the principal amount of Series 2019B-3 Bonds specified for each of the years shown below:

<u>May 1,</u>	<u>Amount</u>
2031	\$335,000
2032	365,000
2033	400,000
2034	435,000
2035	465,000
2036	500,000
2037	535,000
2038	565,000
2039	600,000
2040	2,730,000
2041	2,520,000
2044	6,665,000
2045	13,335,000
2048 [†]	24,275,000

[†] Final maturity.

The Authority may from time to time direct the Bond Trustee to purchase Series 2019B Bonds with moneys in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2019B Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the applicable Series 2019B Bonds of the same Series and maturity. A Member of the Obligated Group also may purchase Series 2019B Bonds and apply any Series 2019B Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the applicable 2019B Bonds of the same Series and maturity. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchase, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2019B Bonds of the Series and maturity so purchased will be reduced for such year.

Selection of Series 2019B Bonds to be Redeemed. In the case of redemption of Series 2019B Bonds, other than from Sinking Fund Installments, the Authority, at the direction of the Corporation, will select the maturity of the Series 2019B Bonds to be redeemed. If less than all of the Series 2019B Bonds of a Series and maturity are to be redeemed, the Series 2019B Bonds of such Series and maturity to be redeemed 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. The Bond Trustee is to give notice of the redemption of the Series 2019B Bonds in the name of the Authority, by first class mail, postage prepaid, at least 30 days but not more than 45 days prior to the redemption date to the registered owners of any Series 2019B Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority. Notice of redemption may be conditioned on receipt by the Trustee on or prior to the redemption date of moneys sufficient to pay the principal of, premium, if any, and interest on such Series 2019B Bonds to be redeemed. Failure of any owner to receive such notice will not affect the validity of the proceedings for the redemption of the Series 2019B Bonds with respect to which notice was given in accordance with the Resolution.

If on the redemption date moneys for the redemption of the Series 2019B Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, are held by the Bond Trustee so as to be available therefor on such date and if notice of redemption has been mailed as provided above, then, from and after the redemption date, interest on the Series 2019B Bonds or portion thereof to be redeemed will cease to accrue from and after the redemption date such Series 2019B Bonds will no longer be considered to be Outstanding under the Resolution.

Notice of Mandatory Tender. The Bond Trustee is to give notice of the mandatory tender for purchase of the Series 2019B Bonds in the name of the Authority, by first class mail, postage prepaid, at least 15 days prior to the mandatory tender date to the registered owners of any Series 2019B Bonds which are to be subject to mandatory tender for purchase, at their addresses appearing on the registration books of the Authority.

Series 2019B Bonds subject to mandatory tender for purchase are required to be delivered by the Holders thereof to the Bond Trustee (together with necessary assignments and endorsements) at or prior to 12:00 noon, New York City time, on the applicable Purchase Date. Any Series 2019B Bonds to be purchased that are not delivered for purchase on or prior to the mandatory tender date, for which there has been irrevocably deposited in trust with the Bond Trustee an amount sufficient to pay the Purchase Price of such Series 2019B Bonds, will be deemed to have been tendered to the Bond Trustee for purchase, and the Holders of such Series 2019B Bonds will not be entitled to any payment (including any interest to accrue on or after the mandatory tender date) other than the respective Purchase Prices of such Series 2019B Bonds.

If, following the giving of notice of mandatory tender of Series 2019B Bonds described above, an event occurs which causes such mandatory tender not to occur, then (i) the Bond Trustee will so notify the Holders of such Series 2019B Bonds (at their addresses as they appear on the registration books of the Authority on the date of such notice), by electronic notice, confirmed by first class mail, as soon as may be practicable after the applicable mandatory tender date, and (ii) the Bond Trustee will return to their Holders any such Series 2019B Bonds tendered to the Trustee in connection with such mandatory tender of such Series 2019B Bonds.

For a description of certain other provisions relating to the Series 2019B 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 2019B Bonds will be given by the Bond Trustee in the same manner as for notice of redemption described above under “*Notice of Redemption.*” No purchased Series 2019B Bond shall be considered to be no longer outstanding by virtue of its purchase.

All such purchases may be subject to conditions to the Corporation’s obligation to purchase the Series 2019B Bonds and shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for such purchase. Notice of purchase having been given in the manner required above, then, if sufficient money to pay the purchase price of the Series 2019B Bonds is held by the Bond Trustee, the purchase price of the Series 2019B Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase.

In the event not all of the Outstanding Series 2019B Bonds of a maturity are to be purchased, the Series 2019B Bonds to be purchased will be selected by the Bond Trustee by lot in the same manner as Series 2019B Bonds of a maturity to be redeemed in part are to be selected as described above under “*Selection of Series 2019B Bonds to be Redeemed.*”

For a description of certain other provisions relating to the Series 2019B Bonds, see “**Summary of Certain Provisions of the Resolution**” in “**APPENDIX E**” hereto. See also “**Book-Entry Only System**” below for a description of the notices of redemption to be given to Beneficial Owners of the Series 2019B 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 2019 Bonds. The Series 2019 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 2019 Bond certificate will be issued for each Series, maturity and, if applicable, interest rate, of the Series 2019 Bonds, totaling in the aggregate the principal amount of the Series 2019 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 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of a Series 2019 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 2019 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 2019 Bonds, except in the event that use of the book-entry system for such Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 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 2019 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 2019 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2019 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 2019 Bonds within a particular maturity of the Series 2019 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 2019 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 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 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding

detail information from the Authority or the 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 the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the 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 2019 Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2019 Bond certificates are required to be printed and delivered.

The Authority 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 2019 Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Direct Participant or Indirect Participant acquires an interest in the Series 2019 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 THE AUTHORITY, THE BOND TRUSTEE, THE UNDERWRITERS, THE CORPORATION OR THE OTHER MEMBERS OF THE OBLIGATED GROUP WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT OR INDIRECT PARTICIPANT OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2019 BONDS.

So long as Cede & Co. is the registered owner of the Series 2019 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2019 Bonds (other than under "**PART 10 – TAX MATTERS**" herein) mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2019 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference will only relate 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 2019 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2019 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2019 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 the Authority or restricted registration is no longer in effect, Series 2019 Bond certificates will be delivered as described in the Resolution.

NONE OF THE AUTHORITY, THE CORPORATION, THE OBLIGATED GROUP, 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 2019 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 2019 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 2019 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2019 BONDS; OR (VI) ANY OTHER MATTER.

PART 4 – PLAN OF FINANCE

Series 2019 Bonds

The proceeds of the sale of the Series 2019A Bonds will provide funds which, together with other available funds, will be used to (i) current refund all of the Refunded Bonds; and (ii) pay costs of issuance on the Series 2019A Bonds.

The proceeds of the sale of the Series 2019B Bonds will provide funds which, together with other available funds, will be used to (i) finance the Project; and (ii) pay costs of issuance on the Series 2019B Bonds. See “**PART 5 – ESTIMATED SOURCES AND USES OF FUNDS**” herein.

Series 2019B Projects

The following projects will be financed with a portion of the proceeds of the Series 2019B Bonds:

NSUH Projects: Approximately \$63.6 million (inclusive of the Series 2019B Bond proceeds and equity) is expected to be used to finance all or a portion of the cost of (i) expansion and upgrade of the emergency department, (ii) upgrade of the main hospital lobby, (iii) renovation of a vacant behavioral health unit into an 18 bed intensive care unit, (iv) expansion the interventional radiology service by adding recovery space and a fourth procedure room, (v) expansion of the existing delivery area to create an 8 bed holding/recovery suite and a fourth cesarean operating room, and (vi) upgrading the pharmacy.

LIJMC Projects: Approximately \$19 million (inclusive of the Series 2019B Bond proceeds and equity) is expected to be used to finance all or a portion of the cost of (i) converting a former behavioral health unit to an orthopedic inpatient unit at LIJVS, (ii) reconfiguring the nursery and related improvements at LIJFH, and (iii) upgrading the pharmacies at LIJVS and LIJFH.

GCH Project: Approximately \$3 million (inclusive of the Series 2019B Bond proceeds and equity) is expected to be used to finance all or a portion of the cost of constructing an isolation unit for specialized patient care.

SH Projects: Approximately \$64 million (inclusive of the Series 2019B Bond proceeds and equity) is expected to be used to finance all or a portion of the cost of (i) conversion of the existing brain injury unit and patient transport areas into 15 medical/surgical patient beds, (ii) conversion of certain rehabilitation facilities to medical-surgical facilities, (iii) relocation of the interventional radiology program and, expanding its capacity from 10 to 17 beds and creation of 2 electrophysiology procedure rooms, (iv) various infrastructure projects throughout the main hospital facility, and (v) upgrading the pharmacy.

HH Projects: Approximately \$13 million (inclusive of the Series 2019B Bond proceeds and equity) is expected to be used to finance all or a portion of the cost of renovation and upgrade of the maternity unit and upgrading the pharmacy.

SIUH Projects: Approximately \$45 million (inclusive of the Series 2019B Bond proceeds and equity) is expected to be used to finance all or a portion of the cost of a new cancer treatment center and a hybrid operating room.

Taxable 2019A Bonds

The Corporation expects to issue its Taxable 2019A Bonds in an aggregate principal amount of \$447,675,000. Proceeds from the sale of the Taxable 2019A Bonds will be used by the Corporation for the Taxable Project. The Corporation currently expects that the Taxable 2019A Bonds will be delivered concurrently with the Series 2019 Bonds on or about September 26, 2019.

PART 5 – ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2019 Bonds and the Taxable 2019A Bonds:

	Series 2019A Bonds	Series 2019B Bonds	Taxable 2019A Bonds	Total
Sources of Funds				
Par Amount of Bonds	\$ 41,145,000	\$ 161,180,000	\$ 447,675,000	\$ 650,000,000
Premium	4,275,672	20,887,568	-	25,163,240
Corporation Equity	-	20,032,850	-	20,032,850
Funds Held for Refunded Bonds	5,985,894	-	-	5,985,894
Total Sources of Funds	\$ 51,406,566	\$ 202,100,417	\$ 447,675,000	\$ 701,181,983
Uses of Funds				
Redemption of Refunded Bonds	\$ 50,950,325	\$ -	\$ -	\$ 50,950,325
Deposit to Construction Fund	-	200,328,496	-	200,328,496
Corporate Purposes of Certain Members of the Obligated Group	-	-	443,951,108	443,951,108
Costs of Issuance ⁽¹⁾	456,242	1,771,921	3,723,892	5,952,055
Total Uses of Funds	\$ 51,406,566	\$ 202,100,417	\$ 447,675,000	\$ 701,181,983

⁽¹⁾ Costs of Issuance includes Underwriters' discount, rating agencies, bond trustee, master trustee, cost of printing, fees for legal counsel, financial advisor, accountants and other costs.

Totals may not foot due to rounding.

PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP

The following discussion of risks to holders of the Series 2019 Bonds is not intended to be exhaustive, but rather to summarize certain matters that could affect payment of the Series 2019 Bonds, in addition to other risks described throughout this Official Statement. The Members of the Obligated Group (as defined in the forepart of this Official Statement) and the Other Northwell Entities (as defined in “**Northwell and the Obligated Group**” in “**APPENDIX A**” hereto) are each referred to herein as a “*Northwell affiliate*” and, collectively, as the “*Northwell affiliates*.”

General

Health care providers are paid by governmental and other sources under complex and continually changing regulations, contractual requirements, and other guidance. Health care providers must therefore attempt to respond to and anticipate regulatory and other changes, and the success of any specific strategy and the financial results of operation are often unsettled until after multiple years during which the regulations, contractual requirements, and other guidance are clarified and implemented. In addition, and as a result of Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (the “*Affordable Care Act*” or the “*ACA*”), substantial changes have occurred and are occurring in the United States health care system. Such legislation has been intended by its supporters to be transformative and includes numerous provisions affecting the delivery of health care services, the financing of health care costs, payments to health care providers and the legal obligations of health insurers, providers, employers and consumers. The effect on Northwell of future changes in federal, state and private policies and interpretations of policies cannot be determined at this time.

Northwell may be affected by future events and economic conditions, including competition from health systems that are expanding through acquisition, affiliation, and internal growth; competition from vertically aligned payers and other providers; changes in demand for health care services; an inability to control expenses in periods of inflation; the capability of Northwell management; the receipt of grants and contributions; referring physicians’ and self-referred patients’ confidence in Northwell; and increased use of discounted, value-based, performance-based, or risk-based contracts with managed care organizations (“*MCOs*”) and other payers. Other factors that may affect revenues and expenses include the ability of Northwell to provide services required by patients; the relationship of Northwell with physicians; the availability of sufficient staff possessing the requisite training and skill to provide complex medical services; the success of Northwell’s strategic plans; the degree of cooperation among and competition with other providers in Northwell’s service area; changes in levels of private philanthropy; malpractice claims, investigations, audits and other litigation; and economic and demographic developments in the United States and in the service areas in which Northwell operates. See “**Northwell and the Obligated Group**” in “**APPENDIX A**” hereto, “**Audited Consolidated Financial Statements of Northwell Health, Inc. for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**” included as “**APPENDIX B-1**” hereto and “**Unaudited Interim Consolidated Financial Statements of Northwell Health, Inc. for the Six Months Ended June 30, 2019 and 2018**” in “**APPENDIX B-2**” hereto.

Affordable Care Act and Health Care Reform Initiatives

The Affordable Care Act was enacted in 2010, with a primary goal of making health care insurance available to otherwise uninsured or underinsured consumers, including by providing premium subsidies for consumers who fall below certain income levels.

The ACA made far-reaching changes to various aspects of the health care system, including substantial adjustments to Medicare reimbursement, establishment of individual and employer mandates

for health insurance coverage, extension of Medicaid coverage to certain populations, provision of incentives for employer-provided health care insurance, restrictions on physician-owned hospitals, and increased efficiency and oversight provisions. The provisions of the ACA were structured to take effect over time, ranging from immediately upon passage to ten years from passage. Most of the significant health insurance coverage reforms began in 2014. The ACA also requires the promulgation of substantial regulations with significant effects on the health care industry.

The ACA provides for: state organized insurance markets in which individuals and small employers can purchase health care insurance; income-based subsidies for premium costs to individuals and families; various insurance reforms, such as prohibiting denials of coverage for pre-existing conditions; and expansion of existing public programs, such as Medicaid. The ACA also imposed new requirements on employers who provide health insurance to their employees and dependents.

Some of the specific provisions of the ACA that may affect hospital operations, financial performance or financial conditions are described below. This listing is not exhaustive. The ACA is complex, and includes many new programs and initiatives and changes to existing programs, policies, practices and laws. Further, as discussed below, President Trump's stated goal is to roll back implementation of key elements of the ACA, or to repeal it entirely.

- Annual inflation adjustments to Medicare payments have been reduced.
- Many state Medicaid programs have 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 ACA 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.
- Medicaid Disproportionate Share Hospital ("*DSH*") allotments to each state have also been reduced, based on state-wide reduction in uninsured and uncompensated care.

While the provisions of the ACA that encourage health care coverage for individuals, to the extent not modified by subsequent legislation, were intended to increase demand for health care and reduce the amount of uncompensated care that hospitals, including certain Members of the Obligated Group, provide, the ACA did not ensure that reimbursement paid by the payors covering the newly insured would be adequate to cover costs. Other provisions have significantly modified coverage of, or payment for, hospital services, and some of these changes have reduced payments.

Federal and state actions affecting the health care delivery system, and the practical consequences of such actions, cannot be foreseen. In particular, any legal, legislative or executive action that delays or reduces federal health care program spending, increases the number of individuals without health insurance, reduces the number of people seeking health care, limits coverage for health care services or otherwise significantly alters the health care delivery system or insurance markets, could have a material adverse effect on Northwell.

Apart from the ACA, recent legislation has sought to further the transition from volume-based payment to value-based payment under the Medicare program. For example, the Medicare Access and CHIP Reauthorization Act of 2015 (“*MACRA*”) removed the outdated Sustainable Growth Rate formula that annually threatened large reductions in physician reimbursement and replaced it with a multi-tiered system to pay physicians and other practitioners – including, but not limited to, physician assistants, advanced practice nurses, and physical therapists – based on the value of the care they provide. The Centers for Medicare & Medicaid Services (“*CMS*”) continues to implement *MACRA* and other programs to encourage value-based care. The effect these continued reforms will have on Northwell is not possible to predict and depends on *CMS*’ and the United States Department of Health and Human Services’ (“*DHHS*”) regulatory strategies, Northwell’s success at engaging in value-based care delivery programs, and future legislative changes. To the extent these programs affect either Northwell’s reimbursements or its cost of providing services, they may have a material effect on Northwell’s finances.

Challenges to the Affordable Care Act

The ACA has been subject to significant opposition in the political and judicial arenas. Multiple lawsuits challenging the constitutionality of the ACA have been filed by private and state parties in federal courts. In 2012, the U.S. Supreme Court largely upheld the ACA as constitutional. However, in the same decision it limited the scope of the ACA by restricting the federal government’s ability to condition Medicaid funding on states’ participation in the ACA’s anticipated Medicaid expansion. As a result, states effectively have the option but not the obligation to extend Medicaid coverage to the indigent adult population specified in the ACA. In 2015, the Supreme Court rejected an effort to limit federal subsidies only to exchanges that were established directly by the states and not through the federal government.

Many issues remain to be determined about the ACA’s impact, and it seems likely that continuing litigation and political strategies will seek to undermine portions, perhaps significant portions, of the ACA. President Trump and Republican leaders of Congress have repeatedly cited health care reform, and particularly, repeal and replacement of the ACA, 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 ACA. See “**Tax Reform**” herein. Northwell cannot predict whether additional health care reform legislation will be enacted or the interim or ultimate effects of any such legislation.

In addition to the legislative changes discussed above, ACA implementation and the ACA 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 ACA to “exercise all authority and discretion available to them to waive, defer, grant exemptions from, or delay” parts of the ACA that place “unwarranted economic and regulatory burdens” on states, individuals or health care providers. Management cannot predict the effect of these executive branch actions on Northwell’s business or financial condition, though such effects could be material.

Legislative, Regulatory and Contractual Matters Affecting Revenue

Northwell is participating in a range of approaches to population health management and value based payment, including ACOs, patient-centered medical homes and other value-focused and risk-based agreements. Among these are: the Northwell Health ACO, which coordinates care for approximately 60,000 Medicare lives in the Medicare Shared Savings Program; Montefiore Medical Center NextGen ACO through which Northwell coordinates care for over 5,000 Medicare lives; Healthfirst, a New York not-for-profit MCO of which Northwell is a partial owner to manage global and shared risk for approximately 100,000 Medicaid, Medicare and commercial lives; the CMS Bundled Payments for Care Improvement (“BPCI”) and BPCI Advanced initiatives; the CMS Independence at Home Demonstration program which provides chronically ill patients with a complete range of primary care services in the home setting; and several other value-based payment arrangements with MCOs affecting approximately 170,000 Medicare and commercial lives.

Northwell has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payers for adjustments to current and prior years’ payment rates, based on industry-wide and Northwell-specific data. The current Medicaid, Medicare and other third-party payer programs are based upon complex laws and regulations that are subject to interpretation. Medicare cost reports, which serve as the basis for final settlement with government payers, are still open for multiple years. More recent cost reports have not been finally settled, pending the outcome of litigation challenging the calculation of various hospitals’ DSH payments. In June 2019, the Supreme Court ruled in favor of hospitals that brought suit arguing CMS made inadequate DSH payments in fiscal year 2012, affirming the lower court ruling. Final settlement of these cost reports may materially change recorded estimates as new CMS policy decisions impact payments; however, the outcome of this matter, including Northwell’s ability to receive further payments, remains uncertain. In addition, noncompliance with such laws and regulations and new interpretations of such authority could result in fines, penalties and exclusion from such programs.

Legislation is periodically introduced in Congress and in the New York State Legislature that could result in limitations on Northwell’s revenue, third-party payments, and costs or charges, or that could result in increased competition or an increase in the level of indigent care required to be provided by Northwell. From time to time, legislative 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, 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. The effects of future reform efforts on Northwell cannot be predicted, though they may have a material effect on Northwell’s finances and operations.

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 ACA. The effect this rule may have on Northwell’s revenue is not possible to determine at this time.

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 with the ACA's individual mandate. The elimination of the individual mandate may result in a higher uninsured rate, which may adversely affect the financial condition of the Members of the Obligated Group.

The Tax Cuts and Jobs Act also eliminates the issuance of tax-exempt bonds to advance refund outstanding tax-exempt bonds; imposes an excise tax on exempt entities' executive compensation in excess of \$1,000,000 per year; requires that the tax on an exempt organization's unrelated business income be computed separately for each line of business; requires 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 or operations of Northwell.

New York State Budget

In 2011, Governor Andrew M. Cuomo issued an Executive Order creating the Medicaid Redesign Team and setting in motion a process of substantial reform of New York's Medicaid program. The majority of the Medicaid Redesign Team's recommendations for cost reductions of over \$2.3 billion (so-called "Phase I" proposals) were included in the 2011–2012 Final Budget and passed by the New York legislature in 2011. The 2012–2013 Final Budget included a number of Phase II proposals designed to continue the reformation of Medicaid within New York, such as integrating care and centralizing Medicaid administration. The Final Budget for the following years through the 2019-2020 Final Budget, signed into law on March 31, 2019, included additional recommendations, such as expanding managed care plan services and integrating physical and behavioral health services. The 2019-2020 final budget, in particular, included reductions in payment for long-term care services and funding for efforts to reduce health care utilization.

Each of the state budgets for 2011–2012 through 2019-2020 assumed a targeted growth rate for Medicaid equal to the ten-year average change of the medical component of the Consumer Price Index (currently 3.0%) and grant the New York State Department of Health ("NYSDOH") and the State Department of Budget authority to hold Medicaid spending to this rate. If spending is projected to exceed the budget cap, NYSDOH and the State Department of Budget have the authority to develop and implement a plan of action to bring spending in line with the cap, which could include modifying or reducing reimbursement 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. Although successful in meeting the budget cap in prior years, various factors, including higher-than-average Medicaid enrollment, threaten the ability of NYSDOH to continue to meet the ambitious savings goal in future years. Additionally, state lawmakers may at any time legislate to raise or lower these spending caps or to otherwise adjust Medicaid reimbursement rates, which could have material positive or negative effects on Northwell's finances that are not possible to predict.

Although recent Final 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 NYSDOH State Funds Medicaid spending. 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.

The effect of the Medicaid redesign process on Northwell 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. It is not possible for Northwell to predict, at the present time, how New York may

alter its Medicaid program in future years; therefore, Northwell cannot predict how such changes may or may not have a material impact on Northwell's finances.

Medicare and Medicaid Payment

The ACA has continued the historic trend of regulatory effort to force greater cost containment and performance-based payments. See “**Affordable Care Act and Health Care Reform Initiatives**” herein. Diverse and complex statutory and regulatory mechanisms, the effect of which is to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs, have been enacted and approved in recent years. It is impossible to predict what effect, if any, current and future legislative initiatives related to Medicare and Medicaid may have on the operations of Northwell. For further information concerning Medicare and Medicaid payment methodologies, including with respect to physician services and hospital capital costs, see “**Northwell and the Obligated Group – Payment Methodologies**” in “**APPENDIX A**” hereto.

Annual Cost Reports. All hospitals participating in the Medicare and Medicaid programs must meet specific financial reporting requirements, which involve submission of annual cost reports to identify expenses associated with the services provided to Medicare and Medicaid beneficiaries. These cost reports are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due. The audit process may be prolonged, and it may take several years to reach the final determination of allowable amounts.

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 Medicare 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 Northwell. There can be no assurance that the Northwell hospitals will continue to receive The Joint Commission accreditation or meet the Conditions of Participation in the future. For further information concerning Northwell's response to a Statement of Deficiencies and Notice of Termination regarding LIJMC, see “**Northwell and the Obligated Group – Regulatory Reviews, Audits, Litigation and Investigations**” in “**APPENDIX A**” hereto.

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

Regulatory Reviews and Audits. Hospitals that participate in the Medicare and Medicaid programs are subject from time to time to audits and other investigations relating to various aspects of their operations and billing practices, as well as to retroactive audit adjustments with respect to payments claimed under these programs. Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. New billing rules and reporting requirements for which there is no clear guidance from CMS or state Medicaid agencies could result in claims submissions being considered inaccurate. The penalties for violations may include an obligation to refund money to the Medicare or Medicaid program, payment of criminal or civil fines and, for serious or repeated violations, exclusion from participation in federal health programs. Medicare and Medicaid Managed Care plans and commercial payers also conduct routine and targeted pre- and post-payment audits of claims that may result in recoupment or overpayment demands.

Audits may result in reduced payments or repayment obligations related to past alleged overpayments and may also delay Medicare or Medicaid payments to health care providers pending resolution of the appeals process. The ACA explicitly gives DHHS the authority to suspend Medicare and Medicaid payments to a health care provider or supplier during a pending investigation of fraud. The ACA also amended certain provisions of the False Claims Act to include retention of overpayments as a violation. It also added provisions respecting the timing of the obligation to identify, report and reimburse overpayments. See “**Federal and State False Claims Acts**” herein. See “**Northwell and the Obligated Group – Regulatory Reviews, Audits, Litigation and Investigations**” and “**– Payment Methodologies – Medicare**” in “**APPENDIX A**” hereto for more information.

For information on trends in commercial managed care and the potential impact on Northwell’s financial condition, see “**Northwell and the Obligated Group – Payment Methodologies – Non-Medicare Payment**” in “**APPENDIX A**” hereto.

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 and is financed primarily by payroll taxes paid by workers and employers. 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 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 the projected growth in hospital 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 healthcare costs have increasingly sought to 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 reimbursement for total knee replacements to the inpatient setting. In January 2017, CMS began paying outpatient departments that were not located on the same campus as their affiliated 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 Northwell’s revenues.

Budget Control Act. The Federal Budget Control Act of 2011 mandates significant reductions in federal spending caps for fiscal years 2012-2021, including annual reductions of two percent on all Medicare payments during this period. The Bipartisan Budget Act of 2018 extended these reductions through 2027. 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 Northwell’s finances by reducing Medicare revenue.

Medicare and Medicaid Managed Care

The Medicare program has encouraged the development of managed care products for Medicare beneficiaries. Enrollment in a Medicare managed care product is voluntary and enrollees may disenroll and re-enroll in the traditional fee-for-service Medicare system. Managed Medicare plans may be structured as HMOs, PPOs, private fee-for-service-plans or Provider Sponsored Organizations.

The federal Medicare program pays each managed Medicare plan a pre-established monthly premium for each Medicare beneficiary who voluntarily enrolls in the plan. In return for the premium, the plan pays for all the covered and medically necessary services delivered to the enrollee in the month. The

plan is at full financial risk for costs incurred for caring for its enrollees in the given month, as described above. The ACA provides for reductions to managed Medicare plan payments, with the intention of aligning managed Medicare per capita premium payments with expenditures in the traditional Medicare fee-for-service program.

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

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

As of April 14, 2014, The 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 will be applied to the Delivery System Reform Incentive Payment (“*DSRIP*”) Program, which has a goal of reducing avoidable Medicaid hospitalizations and hospital emergency visits by 25% over the next five years. The DSRIP payments are to be made to providers who collaborate in some fashion to achieve this goal and are to be paid in part, based on performance. Northwell, through certain Northwell affiliates, including LIJMC, LIJFH, SSH and SIUH, is participating in four separate collaborative groups of health care providers to pursue the reform objectives of the DSRIP program and address the needs of Medicaid patients in the New York metropolitan area. The future impact of any potential loss in volume from decreased hospitalizations and emergency room utilization on the financial performance of Northwell cannot be determined at this time.

Northwell has been attempting to retain volume and reasonable payment levels through its ownership interest in Healthfirst, a not-for-profit MCO, and provider participation contracts with other Medicaid MCOs. In particular, Northwell is working with health plans, social service agencies, and others to ensure that Medicaid patients currently cared for at Northwell hospitals will continue to have access to these facilities throughout the managed Medicaid enrollment process. Despite these efforts, Medicaid patient volume at Northwell hospitals may be reduced, partially attributable to competition from other health networks treating Medicaid patients. The teaching component of Medicaid and managed Medicaid payment is expected to continue to be paid by the State directly to the hospitals. See “**Northwell and the Obligated Group – Payment Methodologies – Managed Care**” in “**APPENDIX A**” hereto.

Litigation and Claims

See “**Northwell and the Obligated Group – Regulatory Reviews, Audits, Litigation and Investigations**” in “**APPENDIX A**” hereto for a discussion of various regulatory investigations and litigation matters. It is not possible to predict claims and litigation matters that may arise in future years, any of which may have a material effect on Northwell's finances; possible areas for future litigation include, but are not limited to, reimbursement issues, labor disputes, state and federal False Claims Act liability, medical malpractice, real estate matters, and disputes with payers.

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 the Northwell hospitals. Development of health maintenance and other alternative delivery programs and future medical and scientific advances could result in decreased usage of the Northwell hospitals' facilities. Northwell 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. Northwell faces and will continue to face competition from other hospitals, integrated delivery systems and ambulatory care providers that offer similar health care services.

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

Management believes that governmental payers, insurers, and MCOs will encourage competition among hospitals and providers on the basis of price, payment terms and quality. Payers have used the threat of patient steerage, restrictive physician contracting, carve outs, tiered pricing, and network exclusion to drive provider prices lower. This may lead to increased competition among hospitals based on price where payers attempt to steer patients to the hospitals that have the most favorable contracts. In addition, loss of established managed care contracts by Northwell affiliates could also adversely affect the future Northwell revenues.

Workforce Shortages

Workforce shortages are affecting health care organizations at the local, regional and national level. In some years salaries have been increased at greater than the rate of inflation in order to recruit and retain adequate staff. There can be no assurance that such workforce shortages will not continue or increase over time and adversely affect Northwell's ability to control costs and its financial performance.

Labor Relations

Collective Bargaining. Certain Northwell affiliates have collective bargaining agreements with multiple 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 Northwell. See "**Northwell and the Obligated Group – Labor Relations**" in "**APPENDIX A**" hereto.

Employment Issues. As with all large employers, the Northwell affiliates bear a wide variety of risks in connection with their employees. In addition to strikes or other labor actions, these risks include contract disputes, difficulties in recruitment, discrimination claims, personal tort actions, work related injuries, exposure to hazardous materials, interpersonal torts, risks related to its benefit plans, and other risks that may flow from the relationships between employer and employee or between physicians, patients and employees. Many of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance.

Multiemployer Pension Plans

Certain of the employees of the Northwell affiliates are covered by defined benefit multiemployer pension plans (each, a “Plan”) to which the Northwell affiliates make contributions pursuant to collective bargaining agreements. Each Plan covers employees of multiple unrelated employers, and employers do not typically have access to complete and current information concerning the funding status of a Plan. Plans carry with them the risk that benefit liabilities associated with one participating employer may, over time, be shouldered by other participating employers through increased contributions payable by them, for example where a participating employer is unable to make its required contributions (*e.g.*, due to bankruptcy). Further, under pension regulations, all members of a “controlled group,” including such a participating employer, determined under Internal Revenue Service rules, generally are jointly and severally liable together with such participating employer to make contributions to the Plan.

If a Northwell affiliate withdraws from a Plan in a complete or partial withdrawal, the Northwell affiliate and all members of such Northwell affiliate’s “controlled group” may be jointly and severally liable for withdrawal liability to the Plan. Such withdrawal liability typically is in addition to the collectively bargained obligation to contribute and represents the Northwell affiliate’s share, computed under rules established by the Plan pursuant to applicable law, of the aggregate unfunded vested benefit liabilities of the Plan.

Northwell affiliates that participate in a Plan, and members of such Northwell affiliates’ “controlled groups,” are subject to various risks, including but not limited to lack of transparency concerning the full extent of the funding status of the Plan; lack of transparency concerning creditworthiness of other employers participating in the Plan (and attendant liability for shortfalls in funding by such other employers); unpredictable spikes in pension cost upon renewal of collective bargaining agreements due to underfunding of the Plan resulting from failure by other employers to contribute to the Plan as required or other causes such as adverse investment results with respect to Plan assets or increases in Plan liabilities due to benefit increases or changes in actuarial assumptions; withdrawal liabilities as described above; and other factors which may be outside the knowledge or control of the respective Northwell affiliate.

Under current generally accepted accounting principles, the extent of any funding shortfall in a Plan is not recorded as a liability of a participating employer on its financial statements, although the amount of such funding shortfall that may be allocated to such participating employer may be material.

Changes in generally accepted accounting principles which took effect for Northwell’s fiscal year ended December 31, 2011 required that an employer’s financial statements reflect certain additional information concerning the extent of its participation in a Plan, the most recent certified funding “zone” status of the Plan, and certain other information, not including the dollar amount of any current underfunding of such Plan (which, as noted above, is not generally known by the employers on a current basis). For further information on the Northwell affiliates’ Plans, see Note 9 to “**Audited Consolidated Financial Statements of Northwell Health, Inc. for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**” included as “**APPENDIX B-1**” hereto.

Federal “Fraud and Abuse” Laws and Regulations

The federal Anti-Kickback Law is a criminal statute that prohibits anyone from knowingly or willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, in return for or to induce business that may be paid for, in whole or in part, under a federal health care program including, but not limited to, the Medicare or Medicaid programs. The ACA 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. This 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 DHHS (the "OIG"), the enforcement arm of 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 act in violation of the Anti-Kickback Law or damages equal to three times the amount of prohibited remuneration may be imposed and violation of this law also renders the violator civilly liable under the False Claims Act. The scope of prohibited payments in the Anti-Kickback Law is broad and includes many economic arrangements involving hospitals, physicians and other health care providers, including (but not limited to) joint ventures, space and equipment rentals, purchases of physician practices and management and personal services contracts.

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

Federal and State False Claims Acts

The federal criminal False Claims Act ("*criminal FCA*") makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and/or a fine. The federal civil False Claims Act ("*civil FCA*"), is 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, civil FCA penalties are indexed for inflation based on the Bureau of Labor Statistics' Consumer Price Index. The increased penalty range significantly increases the potential financial exposure resulting from an FCA violation.

The ACA 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. The State of New York also has a False Claims Act that closely tracks the federal civil FCA (the "*New York State FCA*"). It imposes penalties and fines on individuals and entities that file false or fraudulent claims for payment from any state or local government, including health care programs such as Medicaid. The civil federal and New York State FCA also permit individuals to initiate actions on behalf of the government in lawsuits called *qui tam* actions. These *qui tam* plaintiffs, or "whistleblowers," can share in the damages recovered by the government.

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

however, allocation of the funds required to contest or settle the matter could have a material adverse impact on that provider and, potentially, its affiliates.

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

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

The Federal Ethics in Patient Referrals Act (known as the “*Stark Law*”) prohibits the referral of Medicare and Medicaid patients for certain “designated health services” to entities with which the referring physician (or an immediate family member of such physician) has a financial relationship. The statute also prohibits the entity furnishing “designated health services” from billing the Medicare or Medicaid program for “designated health services” furnished pursuant to a prohibited referral.

The New York Health Care Practitioner Referral Law (the “*State Provisions*”) is similar to the Stark Law; however, it covers all patients (irrespective of payer) and covers a different set of prohibited referrals.

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.

Stark is a strict liability statute, which means intent to violate the law is not required. 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 federal False Claims Act. Enforcement actions for any such violations could have a material adverse impact on the financial condition of a health care provider, including the Northwell affiliates.

Regulation of Patient Transfer

Federal and New York laws require hospitals to provide emergency treatment to all persons presenting themselves with emergency medical conditions. The Emergency Medical Treatment and Active Labor Act (“*EMTALA*”) requires hospitals with emergency rooms, including the Northwell hospitals, to treat or conduct an appropriate and uniform medical screening for emergency conditions (including active labor) on all patients and to stabilize a patient’s emergency medical condition before releasing, discharging or transferring the patient to another hospital.

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

Civil Monetary Penalty Act

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

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

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 for 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 Office of the Medicaid Inspector General (the “*OMIG*”) 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 from any governmental program would have a material adverse effect on an excluded Northwell affiliate.

Enforcement Activity

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

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 (“*NIH*”) 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. The Northwell affiliates are 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 the Northwell affiliates to sanctions as well as repayment obligations. Additionally, Northwell affiliates 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 Northwell’s or a Northwell affiliate’s finances.

Outside of enforcement actions at the federal, state, and local levels, Northwell may be bound to particular research protocols, deliverables, timetables, and other restrictions in contracts with entities with whom Northwell or a Northwell affiliate 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 Northwell or its affiliates, among other potential consequences, any of which could have a material adverse financial impact on Northwell.

Research Funding

Future funding of Northwell’s research depends upon the continued availability of funding from the federal government and other public, private and commercial sources as well as the ability of Northwell’s researchers to successfully compete for such funds. Federal legislation and policies to control the federal deficit, as well as other factors, could result in future reduction in the amount of research funding available from the federal government.

Department of Health Regulations

The Northwell affiliates are subject to regulations of NYSDOH. Compliance with such regulations may require substantial expenditures for administrative or other costs. A Northwell affiliate’s ability to add services or beds and to modify existing services materially is also subject to NYSDOH review and approval under the certificate of need and licensure laws. Approvals can be highly discretionary, may involve substantial delay, and may require substantial changes in the proposed request. Accordingly, Northwell’s ability to make changes to its service offerings and respond to changes in the regulatory environment may be limited.

New York State Executive Order

Since 2012, pursuant to an executive order and implementing regulations, service providers that receive above a defined threshold of state funding (including Medicaid), such as the Northwell affiliates, are subject to limits on spending for administrative costs and executive compensation. 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 NYSDOH authority, NYSDOH's caps on the use of state funds for executive compensation and for administrative expenses were permissible. These limitations may make it more difficult for Northwell to pay for its operations or to adequately compensate and retain management, and, accordingly, may have a material adverse impact on Northwell's finances.

Other Governmental Regulation

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

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

OIG and OMIG Compliance Guidelines

The 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 predated any governmental investigation when addressing the appropriateness of administrative penalties. Northwell maintains a corporate compliance program that is designed to assist staff to meet or exceed applicable standards established by federal and state laws and regulations. However, the presence of a compliance program is not an assurance that health care providers, such as the Northwell affiliates, 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).

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 OMIG will conduct audits of compliance programs and assess their effectiveness.

Not-for-Profit Status

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

As nonprofit tax-exempt organizations, certain Northwell affiliates are also subject to detailed federal, state and local laws, regulations, rulings and court decisions relating to their respective organizations and operations, including their operation for charitable purposes. At the same time, such Northwell affiliates conduct large-scale complex business transactions and are significant employers in their geographic areas. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex health care organization.

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 many cases are examinations of core business practices of the health care organizations. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, methods of providing and reporting community benefit, executive compensation, exemption of property from real property taxation, private use of facilities financed with tax-exempt bonds, and others. These challenges and questions have come from a variety of sources, including state attorneys general, the IRS, labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits and litigation.

Tax-Exempt Status. Hospitals are permitted to have tax-exempt status under the Code, because the provision of health care for the benefit of the community historically has been treated as a "charitable" enterprise. This treatment arose before most Americans had health insurance, and when charitable donations were required to fund the health care provided to the sick and disabled. Some have posited that, with the onset of employer health insurance and government payment programs, there is no longer any justification for special tax treatment for the not-for-profit health care sector, and the availability of tax-exempt status for hospitals should be eliminated. Northwell management cannot predict the likelihood of such a dramatic change in the law. Any suspension, limitation, or revocation of the tax-exempt status of Northwell affiliates or assessment of significant tax liability could have a material adverse effect on Northwell. Federal and state tax authorities have increasingly demanded that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits. In certain states, the real estate tax-exemption has been threatened to be revoked due to failure to provide adequate community benefit.

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.

IRS Form 990 for Not-for-Profit Corporations

The IRS Form 990 is used by 501(c)(3) not-for-profit organizations (including certain of the Northwell affiliates) to submit information required by the federal government for tax exemption. Form 990 requires detailed public disclosure of compensation practices, corporate governance, loans to and others, joint ventures, compliance with community benefit and billing requirements, compliance with rules relating to tax-exempt bonds, political campaign activities, and other areas the IRS deems to be compliance risk areas. Form 990 makes available substantial information on compliance risk areas to the IRS and other enforcement agencies.

Internal Revenue Service Examination of Compensation Practices and Community Benefit

The IRS has developed a new schedule, Schedule R, that will build upon further information concerning a hospital's community benefit and billing practices that became required as part of the ACA.

The United States Treasury Department is required to review information about each tax-exempt hospital's community benefit activities at least once every three years, as well as to submit an annual report to Congress with information regarding the levels of charity care, bad debt expenses, costs of non-payment from government programs, and costs incurred by tax-exempt hospitals for community benefit activities. The periodic reviews and reports to Congress regarding the community benefits provided by 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 tax-exempt status and may increase IRS scrutiny of particular 501(c)(3) hospital organizations.

Internal Revenue Code Limitations

Private Inurement and Excess Benefit Transactions. 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. Consequently, the Code could adversely affect Northwell's ability to finance its future capital needs and could have other adverse effects on Northwell that cannot be predicted at this time. The Code continues to subject unrelated business income of nonprofit organizations to taxation.

As tax-exempt organizations, certain of the Northwell affiliates are limited with respect to the use of practice income guarantees, reduced rent on medical office space, below market rate 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 the tax-exempt Northwell affiliates, 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 the Northwell affiliates or assessment of significant tax liability would have a material adverse effect on Northwell.

Section 501(c)(3) of the Code specifically conditions the continued exemption of all Section 501(c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private

inurement may cause the organization to lose its tax-exempt status under Section 501(c)(3) of the Code. The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and no regulations or public advisory rulings that address many common arrangements between exempt health care providers and nonexempt individuals or entities. There can be no assurance concerning the outcome of an audit or other investigation given the lack of clear authority interpreting the range of activities undertaken by the tax-exempt Northwell affiliates.

Pursuant to the so called intermediate sanctions legislation, penalty excise taxes may be imposed if an exempt organization is found to have engaged in an “excess benefit transaction” with a “disqualified person.” Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it will involve “excess benefit.” “Excess benefit transactions” include transactions in which a disqualified person receives 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 penalty excise tax in lieu of revocation, based upon a finding that any of the tax-exempt Northwell affiliates engaged in an excess benefit transaction, is likely to result in negative publicity and other consequences that could have a materially adverse impact on the operations, property or assets of Northwell.

Tax Audits

Taxing authorities historically have 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.

Antitrust

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

Some judicial decisions have permitted physicians who are subject to disciplinary or other adverse actions by a hospital at which they practice, including denial or revocation of medical staff privileges, to seek treble damages from the hospital under the federal antitrust laws. The Federal Health Care Quality

Improvement Act of 1986 provides immunity from liability for discipline of physicians by hospitals under certain circumstances, but courts have differed over the nature and scope of this immunity. In addition, hospitals occasionally indemnify medical staff members who incur costs as defendants in lawsuits involving medical staff privilege decisions. Some court decisions have also permitted recovery by competitors claiming harm from a hospital's use of its market power to obtain unfair competitive advantage in expanding into ancillary health care businesses. Antitrust liability in any of these contexts can be substantial, depending upon the facts and circumstances involved. There can be no assurance that a third party reviewing the activities of Northwell would find such activities to be in full compliance with the antitrust laws.

Health Insurance Portability and Accountability Act

The Health Insurance Portability and Accountability Act of 1996 (“*HIPAA*”) established civil and criminal sanctions for health care fraud, which expanded upon prior health care fraud laws and applies to 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, among others, that conduct certain financial and administrative transactions electronically (the “*Privacy Rule*”) and standards relating to the security of such health information (the “*Security Rule*”). Compliance with the requirements of the Privacy Rule, the Security Rule and other HIPAA requirements has required the Northwell affiliates 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 applicable privacy procedures and practices 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 HITECH Act was adopted in 2009 and expanded the scope and application of the administrative simplification provisions of HIPAA, and its implementing regulation, (i) extending the reach of the Privacy Rule and Security Rule to business associates, (ii) imposing a written notice obligation upon covered entities for security breaches involving “unsecured” protected health information, (iii) limiting certain uses and disclosures of protected health information, (iv) increasing individuals’ rights with respect to protected health information, (v) increasing penalties for violations, and (vi) providing for enforcement of violations by state attorneys general.

In 2013, DHHS issued comprehensive modifications to the HIPAA regulations to implement the requirements of the HITECH Act, commonly known as the “HIPAA Omnibus Rule.” The DHHS Office for Civil Rights, the agency tasked with enforcement of HIPAA, the HITECH Act and the HIPAA Omnibus Rule (collectively the “*HIPAA Laws*”), has increasingly pursued enforcement actions and penalties for violations of these regulations. The obligations imposed by the HIPAA Laws could have a material adverse effect on the financial condition of Northwell. For information about the HIPAA Laws activity regarding Northwell, see “**Northwell and the Obligated Group – Regulatory Reviews, Audits, Litigation and Investigations**” in “**APPENDIX A**” hereto.

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 health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a health care provider's reputation and materially adversely affect business operations. For information about privacy regulatory activity regarding Northwell, see "**Northwell and the Obligated Group – Regulatory Reviews, Audits, Litigation and Investigations**" in "APPENDIX A" hereto.

General Data Protection Regulation (GDPR) 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 Northwell 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, Northwell 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, Northwell and its affiliates cannot predict the extent of or the financial impact of the GDPR at the present time.

Others 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 Northwell markets towards, provides care to, or exchanges data with individuals and entities in those countries, Northwell and its affiliates may become liable under those privacy laws. Northwell cannot predict the extent of or the financial impact of such liability at the present time.

Environmental Matters

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These requirements govern medical and toxic or hazardous waste management, air and water quality control, notices to employees and the public and training requirements for employees. As owners and operators of properties and facilities, the Northwell affiliates may be subject to potentially material liability for costs of investigating and remedying the release of any such substances either on, or that have migrated off, the property. Typical health care provider operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care provider operations are particularly susceptible to the practical, financial and legal risks associated with the obligations imposed by applicable

environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. There can be no assurance that Northwell will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of Northwell.

Affiliation, Merger, Acquisition and Divestiture

As part of its ongoing planning and property management functions, Northwell reviews the use, compatibility and financial viability of many of its operations, and from time to time, may pursue changes in the use, or disposition, of its facilities. Likewise, Northwell may receive offers from, or conduct discussions with, third parties about the potential acquisition of operations or properties that may become part of Northwell in the future, or about the potential sale of some of the operations and properties of Northwell. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use, including those that may affect Northwell, are held on an intermittent, and usually confidential, basis. As a result, it is possible that the assets currently owned by the Members of the Obligated Group may change from time to time, subject to the provisions in the Master Trust Indenture that apply to merger, sale, disposition or purchase of assets. Northwell evaluates affiliation opportunities as they arise. Any affiliation or other similar transaction would be completed in compliance with the covenants in the Master Trust Indenture.

Insurance

The Northwell affiliates currently carry malpractice, directors' and officers' liability and general liability insurance (some of which is self-insured or insured through a controlled captive), which Northwell management considers adequate, but no assurance can be given that the Northwell affiliates will maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover all malpractice judgments rendered against the Northwell affiliates or settlements of any such claims or that such coverage will be available at a reasonable cost in the future. The dollar amounts of patient damage recoveries for malpractice cases remain potentially significant. For a discussion of the insurance coverage of the Northwell affiliates, see "**Northwell and the Obligated Group – Risk Management and Commercial Insurance Program**" in "**APPENDIX A**" hereto.

Certain Accreditations

Certain of the Northwell affiliates are subject to periodic review by The Joint Commission. Those Northwell affiliates have each received accreditation from The Joint Commission. No assurance can be given as to the effect on future operations of existing, or subsequently amended, laws, regulations and standards for certification or accreditation.

In addition, certain of the Northwell affiliates sponsor programs of graduate medical education ("**GME Programs**"), training residents and fellows, which programs are accredited by the Accreditation Council for Graduate Medical Education ("**ACGME**") (for medical programs) and by the American Dental Association ("**ADA**") (for dental programs). All GME Programs are subject to periodic review by the applicable specialty Residency Review Committee of the ACGME, or by the ADA, as appropriate. No assurance can be given as to (i) the outcome of future reviews of these GME Programs, (ii) such programs' continued accreditation, or (iii) the continuing eligibility of the costs associated with graduate medical education for payment from government programs. See "**Northwell and the Obligated Group – Licensure and Accreditation**" in "**APPENDIX A**" hereto.

Increased Costs and State-Regulated Payments

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 payment formulas, including those for Medicaid, Blue Cross and Blue Shield, and other third-party payers. Rising health care costs resulted from, among other factors, health care costs exceeding inflation, staff shortages, pharmaceutical costs and the highly technical nature of the industry. Northwell has been affected by the impact of such rising costs, and there can be no assurance that Northwell would not be similarly affected by the impact of additional unreimbursed costs in the future.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2019 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 Northwell's capabilities and the financial conditions and results of operations of Northwell.

Enforceability of Lien on Gross Receipts

The Series 2019 Bonds are secured in part by a security interest granted to the Master Trustee in the Gross Receipts of the Members of the Obligated Group. See "**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS.**" The lien on Gross Receipts may become subordinate to certain Permitted Liens under the Master Trust Indenture. Gross Receipts paid by the Members of the Obligated Group to other parties in the ordinary course might no longer be subject to the lien on the Master Trust Indenture and might therefore be unavailable to the Master Trustee.

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

In the event of bankruptcy of a Member of the Obligated Group, transfers of property by the bankrupt entity, including the payment of debt or the transfer of any collateral, including receivables and Gross Receipts on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court, may be subject to avoidance or recoupment as preferential transfers. Under certain circumstances a court may have the power to direct the use of Gross Receipts to meet expenses of the Members of the Obligated Group before paying debt service on the Series 2019 Bonds.

Pursuant to the New York Uniform Commercial Code, a security interest in the proceeds of Gross Receipts may not continue to be perfected if such proceeds are not paid over to the Master Trustee by a Member of the Obligated Group under certain circumstances. If any required payment is not made when due, the Members of the Obligated Group must transfer or pay over immediately to the Master Trustee any

Gross Receipts with respect to which the security interest remains perfected pursuant to law. Any Gross Receipts thereafter received shall upon receipt by a Member of the Obligated Group be transferred to the Master Trustee without such Gross Receipts being commingled with other funds, in the form received (with necessary endorsements) up to an amount equal to the amount of the missed payment. The value of the security interest in the Gross Receipts could be diluted by the incurrence of additional Indebtedness secured equally and ratably with the Series 2019 Bonds as to the security interest in the Gross Receipts or by the issuance of debt secured on a basis senior to the Series 2019 Bonds. See “**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Payment of and Security for the Series 2019 Bonds**” herein.

Enforceability of the Master Trust Indenture

Under New York law, a not-for-profit corporation may guarantee the debt of another corporation only if such guaranty is in furtherance of the corporate purposes of such guarantor not-for-profit corporation. In addition, it is possible that the security interest granted by a Member and the joint and several obligation of a Member to make payments due under an Obligation, including the Series 2019 Obligation, relating to bonds issued for the benefit of another Member, may be declared void in an action brought by a third-party creditor pursuant to the New York fraudulent conveyance statutes or may be avoided by a Member or a trustee in bankruptcy in the event of the bankruptcy of the Member from which payment is requested. An obligation may be voided under the federal Bankruptcy Code or under the New York fraudulent conveyance statute, if (a) the obligation was incurred without receipt by the obligor of “fair consideration” or “reasonably equivalent value,” and (b) the obligation renders the obligor “insolvent,” as such terms are defined under the applicable statute. Interpretation by the courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. For example, a Member’s joint and several obligation under the Master Trust 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 Trust Indenture could be considered as causing its liabilities to exceed its assets. Also, one of the Members may be deemed to have received less than “fair consideration” for such obligation because none or only a portion of the proceeds of the indebtedness are to be used to finance projects occupied or used by such Member. While the Members may benefit generally from the projects financed from the indebtedness for the other Members, the actual cash value of this benefit may be less than the joint and several obligation. The rights under the New York fraudulent conveyance statutes may be asserted for a period of up to six years from the incurring of the obligations or granting of security under the Master Trust 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 the Member of the Obligated Group from which payment is requested.

Exercise of Remedies Under Master Trust Indenture

“Events of Default” under the Master Trust Indenture include the failure of the Members of the Obligated Group to make payments on any Obligation Outstanding under the Master Trust Indenture (such as the Series 2019 Obligation) and may include nonpayment related defaults under documents such as the Resolution or the Mortgages. The Master Trust Indenture provides that upon an “Event of Default” thereunder, the Master Trustee may in its discretion, by notice in writing to the Members of the Obligated Group, declare the principal of all (but not less than all) Obligations Outstanding thereunder to be due and payable immediately and may exercise other remedies thereunder. However, the Master Trustee is not required to declare amounts under the Master Trust Indenture to be due and payable immediately unless requested to do so by the holders of not less than 25% in aggregate principal amount of all Obligations then Outstanding under the Master Trust Indenture. Consequently, upon the occurrence of an “Event of Default” under the Resolution with respect to the Series 2019 Bonds and an acceleration of the maturity of the Series 2019 Bonds, the Master Trustee is not required to accelerate the maturity of all Obligations Outstanding under the Master Trust Indenture upon direction from the Trustee unless (i) the principal amount of the Series 2019 Bonds Outstanding is at least equal to 25% of the principal amount of all Obligations Outstanding under the Master Trust Indenture, or (ii) the Trustee and all other holders of Obligations requesting such acceleration hold at least 25% of all Obligations Outstanding under the Master Trust Indenture. See also “**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – The Master Trust Indenture**” herein.

Bankruptcy

The Series 2019 Bonds are payable from the sources and are secured as described in this Official Statement. The practical realization of value from the collateral for the Series 2019 Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Resolution, the Mortgages and the Master Trust 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 Resolution, the Mortgages and the Master Trust 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 opinions to be delivered concurrently with the delivery of the Series 2019 Bonds will be qualified as to the enforceability of the various agreements and other instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors’ rights generally.

The rights and remedies of the holders of the Series 2019 Bonds are subject to various provisions of Title 11 of the United States Code (the “*Bankruptcy Code*”). If the Members of the Obligated Group were to file a petition for relief under the Bankruptcy Code, the filing would automatically stay the commencement or continuation of any judicial or other proceedings against the Members of the Obligated Group and their property, including the commencement of foreclosure proceedings under the Mortgages. The Members of the Obligated Group would not be permitted or required to make payments of principal or

interest under the Resolution and the Series 2019 Obligation, unless an order of the United States Bankruptcy Court were issued for such purpose. In addition, without an order of the United States Bankruptcy Court, the automatic stay may serve to prevent the Trustee from applying amounts on deposit in certain funds and accounts held under the Resolution including the transfer of amounts on deposit in the funds held thereunder, from being applied in accordance with the provisions of the Resolution, and the application of such amounts to the payment of principal and Sinking Fund Installments of, and interest on, the Series 2019 Bonds. Moreover, any motion for an order canceling the automatic stay and permitting such funds and accounts to be applied in accordance with the provisions of the Resolution would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of the Members of the Obligated Group, which could affect the likelihood or timing of obtaining such relief. The commencement of a bankruptcy case by or against a Member of the Obligated Group may also extinguish the Master Trustee's security interest in the Obligated Group's Gross Receipts arising subsequent to the filing of the bankruptcy petition, adversely affect the ability of the Master Trustee to exercise remedies upon default, including the acceleration of all amounts payable by the Members of the Obligated Group under the Obligation, the Master Trust Indenture, the Mortgages, and the Resolution, and may adversely affect the Master Trustee's or the Trustee's ability to take all steps necessary to file a claim under the applicable documents on a timely basis.

The Members of the Obligated Group could file a plan for the adjustment of its debts in a proceeding under the Bankruptcy Code, which plan could include provisions modifying or altering the rights of creditors generally, or any class of them, whether secured or unsecured. The plan, when confirmed by the United States Bankruptcy Court, would bind all creditors who have notice or knowledge of the plan and would discharge all claims against the Members of the Obligated Group provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by at least one class of claims impaired there under. A 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.

No Mortgage has been specifically granted to secure the Series 2019 Obligation. The Master Trust Indenture provides that all Obligations, including the Series 2019 Obligation, will be secured pro rata by the proceeds realized on any of the Mortgages. However, no assurance can be given that a court in bankruptcy would enforce such provisions with respect to an Obligation for which a Mortgage has not been specifically granted.

Realization of Value on Mortgaged Property

The Mortgaged Property is not comprised of general purpose buildings and would not generally be suitable for industrial or commercial use. 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 the outstanding interest on and principal on the Series 2019 Bonds from a sale or lease of the Mortgaged Property. In addition, in order to operate the Mortgaged Property as health care facilities, a purchaser of the Mortgaged Property at a foreclosure sale would under present law have to obtain a certificate of need from NYSDOH and licenses for the facilities. Further, title insurance has not been obtained in the full par amount of all Obligations outstanding under the Master Trust Indenture. The dollar value secured by the Mortgages is less than the aggregate par amount of all Obligations outstanding under the Master Trust Indenture.

In addition, under applicable environmental law, in the event of any past or future releases of pollutants or contaminants on or near the Mortgaged Property, a lien superior to the lien of the Mortgages

could attach to the Mortgaged Property to secure the costs of removing or otherwise treating such pollutants or contaminants. Such a lien could adversely affect the Master Trustee's ability to realize sufficient amounts to pay the 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 2019 Bonds.

Considerations Relating to Additional Debt

Subject to the coverage and other tests set forth therein, the Master Trust Indenture permits the Members of the Obligated Group to incur additional indebtedness. Such indebtedness would increase the Obligated Group's debt service and repayment requirements and may adversely affect debt service coverage on the Series 2019 Bonds. In certain circumstances, indebtedness may be issued on a basis senior to the Obligations Outstanding under the Master Trust Indenture.

Risks Related to Interest Rate Swap Agreements

Certain of the Northwell affiliates have entered into interest rate swap agreements related to indebtedness of such Northwell affiliates (the "Swaps"). The Swaps are and will be subject to periodic "mark-to-market" valuations and at any time may have a negative value to such Northwell affiliates. The Swaps counterparties may terminate the Swaps upon the occurrence of certain "termination events" or "events of default." The Northwell affiliates may terminate the Swaps at any time. If either the counterparty to one of the Swaps or the Northwell affiliate terminates any of the Swaps during a negative value situation, the Northwell affiliates may be required to make a termination payment to such Swaps counterparty, and such payment could be material.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Northwell affiliates, or the market value of the Series 2019 Bonds, to an extent that cannot be determined at this time:

- Adoption of legislation that would establish a national or statewide single-payer health program or that would establish national, statewide or otherwise regulated rates.
- Increased unemployment or other economic conditions in the Northwell service area, which could increase the proportion of patients who are unable to pay fully for the cost of their care.
- Efforts by insurers and governmental agencies to limit the cost of hospital and physician services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payers to control or restrict the operations of certain health care facilities.
- Termination, non-renewal or renegotiation of provider participation agreements with third-party payers could reduce demand for Northwell's services, resulting in reduced market share, reduced net patient services revenues and reduced net income.
- Reduced demand for Northwell's services that might result from decreases in population or innovations in technology.
- Technical issues and delays associated with development and implementation of information technology systems to support critical clinical and financial operations.
- Competition in Northwell's service area could increase from alternative modes of care, including life care, assisted living facilities, telehealth, and home care.

- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payer.
- The occurrence of a natural or man-made disaster, including but not limited to weather, acts of God or acts of terrorists, that could damage Northwell’s facilities, 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 Northwell’s facilities.
- A change in federal income tax law or replacement of the federal income tax with another form of taxation, which, among other consequences, might adversely affect the market value of the Series 2019 Bonds and the level of charitable donations to the Northwell affiliates.

PART 7 – THE AUTHORITY

Background, Purposes and Powers

The Authority is a body corporate and politic constituting a public benefit corporation. The Authority 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 the Authority’s scope of responsibilities. Today, pursuant to the Dormitory Authority Act, the Authority is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

The Authority 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. The Authority 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 Alcoholism and Substance Abuse Services, 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 the Authority 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 the Authority for the purpose of providing court facilities. The Authority’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, the Authority 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 June 30, 2019, the Authority had approximately \$56.7 billion aggregate principal amount of bonds and notes outstanding. The Authority also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, the Authority 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 the Authority.

The Authority is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by the Authority 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 the Authority’s outstanding bonds and notes, both fixed and variable rate, are special obligations of the Authority 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. The Authority has no obligation

to pay its special obligations other than from such payments. The Authority 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 the Authority's special obligations are solely dependent upon payments made by the Authority's client for which the particular special obligations were issued and the security provisions relating thereto.

The Authority 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, the Authority 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.

The Authority 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

The Authority 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 Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

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

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was reappointed as a Member of the Authority 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 the Authority 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.

PAUL S. ELLIS, ESQ., *Secretary*, New York.

Paul S. Ellis was appointed as a Member of the Authority by the Speaker of the State Assembly on September 19, 2016. Mr. Ellis is the Managing Member of Paul Ellis Law Group LLC, a law firm with a corporate/ securities/capital markets practice with emphasis on private placements, mergers and acquisitions, venture capital/ private equity transactions and joint ventures. He previously worked for Donovan Leisure Newton & Irvine and Winston & Strawn and served in staff positions in the U.S. Senate and the Massachusetts House of Representatives. He co-founded the New York Technology Council and serves on the Board of the NY Tech Alliance and as Chairman of the Housing Committee of Bronx Community Board 8. He holds a Bachelor of Arts degree from Harvard University and a Juris Doctor degree from Georgetown University Law Center.

JONATHAN H. GARDNER, ESQ., Buffalo.

Jonathan H. Gardner was appointed as a Member of the Authority 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 the Authority 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 the Authority 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 the Authority 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 the Authority 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.

ELIZABETH BERLIN, *Interim Commissioner of Education of the State of New York*, Bethlehem; *ex-officio*.

Elizabeth Berlin assumed the role of Interim Commissioner of the New York State Education Department on September 1, 2019. Ms. Berlin was appointed in January 2013 to serve as Executive Deputy Commissioner of the New York State Education Department. In that role, Ms. Berlin manages the day-to-day operations and administration of the State Education Department, part of the University of the State of New York. In that capacity, Ms. Berlin oversees the work of an interconnected system of educational entities including school districts; libraries; and museums; as well as a variety of licensed professions. Interim Commissioner Berlin has an extensive background in the delivery of social and human service programs including service as the Executive Deputy Commissioner of the New York State Office of Temporary and Disability Assistance and Commissioner of the Department of Social Services in Albany County. Ms. Berlin holds a Bachelor of Arts degree from Siena College.

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 the Authority is as follows:

GERRARD P. BUSHELL is the President and chief executive officer of the Authority. Mr. Bushell is responsible for the overall management of the Authority's administration and operations. Prior to joining the Authority, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University. ***Mr. Bushell has resigned his position as President and chief executive officer effective the close of business on September 18, 2019; the Vice President will perform the duties of the President until such time as a new President is appointed and confirmed.***

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

KIMBERLY J. NADEAU is the Chief Financial Officer and Treasurer of the Authority. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising the Authority'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 the Authority. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters, and the legal aspects of all the Authority

financings. In addition, he is responsible for the supervision of the Authority'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 the Authority bond issuance in the capital markets, implementing and overseeing financing programs, overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. 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 the Authority'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 the Authority in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and 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 the Authority. She is responsible for overseeing intergovernmental relations and managing the Communications & Marketing Department, as well as coordinating policy and operations across the Authority'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.

PAUL G. KOOPMAN is Managing Director of Executive Initiatives of the Authority. Mr. Koopman works closely with executive staff on policy development, enterprise risk management, and strategic planning. Mr. Koopman joined the Authority in 1995 managing the Accounts Payable and Banking and Investment Units, and most recently served as Managing Senior Director of Construction. In this capacity, Paul served as the primary relationship manager for some of the Authority's largest clients. 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, the University at Albany.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that such claims and litigation either are covered by insurance or by bonds filed with the Authority, or that the Authority has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such 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 the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority 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 the Authority and its operations. The Authority is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including the Authority) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect the Authority and its operations.

Environmental Quality Review

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

Independent Auditors

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

PART 8 – LEGALITY OF THE SERIES 2019 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2019 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 2019 Bonds.

PART 9 – NEGOTIABLE INSTRUMENTS

The Series 2019 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 2019 Bonds.

PART 10 – TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“*Orrick*”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “*Code*”). Orrick is of the further opinion that interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Orrick is also of the opinion that interest on the Series 2019 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of Orrick is set forth in “**APPENDIX H**” hereto.

To the extent the issue price of any maturity of the Series 2019 Bonds is less than the amount to be paid at maturity of such Series 2019 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2019 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2019 Bonds is the first price at which a substantial amount of such maturity of the Series 2019 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriter, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2019 Bonds accrues daily over the term to maturity of such Series 2019 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2019 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2019 Bonds. Beneficial Owners of the Series 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2019 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2019 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2019 Bonds is sold to the public.

Series 2019 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2019 Bonds. The Authority and the Corporation and the Members of the Obligated Group that will own or operate the facilities financed or refinanced with proceeds of the Series 2019 Bonds (the “*Borrower Members*”) have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2019 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest

on the Series 2019 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2019 Bonds. The opinion of Orrick assumes the accuracy of these representations and compliance with these covenants. Orrick has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Orrick's attention after the date of issuance of the Series 2019 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019 Bonds. Accordingly, the opinion of Orrick is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Orrick has relied, among other things, on the opinion of Ropes & Gray LLP, counsel to the Obligated Group, regarding the current qualification of each of the Borrower Members as an organization described in Section 501(c)(3) of the Code and on the opinion of Hawkins Delafield & Wood LLP regarding the intended operation of the facilities to be financed and refinanced by the Series 2019 Bonds as substantially related to each Borrower Member's charitable purpose under Section 513(a) of the Code. Such opinions are subject to a number of qualifications and limitations. Furthermore, Ropes & Gray LLP and Hawkins Delafield & Wood LLP cannot give and have not given any opinion or assurance about the future activities of the Borrower Members, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service (the "IRS"). Failure of any of the Borrower Members to be organized and operated in accordance with the IRS's requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code, or to operate the facilities financed and refinanced by the Series 2019 Bonds in a manner that is substantially related to such respective Borrower Member's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2019 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2019 Bonds.

Although Orrick is of the opinion that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Orrick expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Orrick is expected to express no opinion.

The opinion of Orrick is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Orrick's judgment as to the proper treatment of the Series 2019 Bonds for federal income tax purposes. Such opinion is not binding on the IRS or the courts. Furthermore, Orrick cannot give and has not given any opinion or assurance about the future activities of the Authority or the Obligated Group, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Obligated Group have covenanted, however, to comply with the requirements of the Code.

Orrick's engagement with respect to the Series 2019 Bonds ends with the issuance of the Series 2019 Bonds, and, unless separately engaged, Orrick is not obligated to defend the Authority, the Obligated Group or the Beneficial Owners regarding the tax-exempt status of the Series 2019 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Obligated Group and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Obligated Group legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2019 Bonds, and may cause the Authority, the Obligated Group or the Beneficial Owners to incur significant expense.

PART 11 – STATE NOT LIABLE ON THE SERIES 2019 BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2019 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 12 – COVENANT BY THE STATE

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

PART 13 – RATINGS

Moody's Investors Service, Inc. ("*Moody's*") has assigned a rating of "A3" (stable outlook) to the Series 2019 Bonds, S&P Global Ratings ("*S&P*") has assigned a rating of "A-" (stable outlook) to the Series 2019 Bonds and Fitch Ratings ("*Fitch*") has assigned a rating of "A-" (stable outlook) to the Series 2019 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; S&P, 55 Water Street, New York, New York 10041; and Fitch, One State Street Plaza, New York, New York 10004. 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 all of such rating agencies if, in the judgment of any or all 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 2019 Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Series 2019 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

PART 14 – LEGAL MATTERS

Certain legal matters incidental to the offering of the Series 2019 Bonds by the Authority are subject to the approval of Orrick, Herrington & Sutcliffe 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 2019 Bonds. The forms of Co-Bond Counsel’s opinions are set forth in “**Proposed Forms of Approving Opinions of Co-Bond Counsel**” in “**APPENDIX H**” hereto.

Certain legal matters will be passed upon for the Obligated Group by their counsel, Hawkins Delafield & Wood LLP, New York, New York and by their disclosure counsel, Ropes & Gray LLP, Boston, Massachusetts. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York.

PART 15 – UNDERWRITING

Pursuant to a Bond Purchase Agreement related to the Series 2019 Bonds (the “*Purchase Contract*”) by and among the Authority, the Corporation and Citigroup Global Markets Inc. on behalf of itself, Morgan Stanley & Co. LLC and the other underwriters named on the front cover page of this Official Statement (collectively, the “*Underwriters*”), the Underwriters, have agreed, subject to certain conditions, to purchase the Series 2019 Bonds from the Authority at a purchase price of \$226,256,894.77 (reflecting an underwriters’ discount of \$1,231,345.13 and premium of \$25,163,239.90) and to make a public offering of the Series 2019 Bonds at prices that are not in excess of the public offering prices or yields indicated on the inside 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 2019 Bonds if any of the Series 2019 Bonds are so purchased. The Corporation 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 2019 Bonds may be changed by the Underwriters.

Citigroup Global Markets Inc., an underwriter of the Series 2019 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.

Morgan Stanley & Co. LLC, an underwriter of the Series 2019 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2019 Bonds.

BofA Securities, Inc., an underwriter of the Series 2019 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 2019 Bonds.

J.P. Morgan Securities LLC, one of the Underwriters of the Series 2019 Bonds, has entered into negotiated dealer agreements (each, a “*Dealer Agreement*”) with Charles Schwab & Co., Inc. (“*CS&Co.*”) and LPL Financial LLC (“*LPL*”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2019 Bonds from J.P. Morgan Securities LLC at the original issue price less a negotiated portion of the selling concession applicable to any Series 2019 Bonds that such firm sells.

TD Securities (USA) LLC (“*TD Securities*”), one of the Underwriters of the Series 2019 Bonds, has entered into a negotiated dealer agreement (the “*TD Dealer Agreement*”) with TD Ameritrade for the retail distribution of certain securities offerings, including the Series 2019 Bonds at the original issue price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase Series 2019 Bonds from the Underwriters at the original issue prices less a negotiated portion of the selling concession applicable to any of the Series 2019 Bonds TD Ameritrade sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“*WFBNA*”), one of the underwriters of the Series 2019 Bonds, has entered into an agreement (the “*WFA Distribution Agreement*”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “*Wells Fargo Advisors*”) (“*WFA*”), for the distribution of certain municipal securities offerings, including the Series 2019 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2019 Bonds with WFA. WFBNA has also entered into an agreement (the “*WFSLLC Distribution Agreement*”) with its affiliate Wells Fargo Securities, LLC (“*WFSLLC*”), for the distribution of municipal securities offerings, including the Series 2019 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters and their 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. The Underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Corporation and Northwell for which it has received or will receive customary fees and expenses.

In the ordinary course of its business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded 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 Corporation (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Corporation. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they

should acquire, long and/or short positions in such assets, securities and instruments of the Corporation and Northwell.

The Series 2019 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 16 – CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12, the Corporation will enter into the Continuing Disclosure Agreement with DAC and the Bond Trustee. The form of the Continuing Disclosure Agreement is attached as “**Proposed Form of Agreement to Provide Continuing Disclosure**” in “**APPENDIX I**” hereto.

In the past five years, the Corporation and the Members of the Obligated Group have not failed to comply, in any material respects, with any previous continuing disclosure undertaking entered into in connection with any offerings.

PART 17 – MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Loan Agreement, the Master Trust Indenture, the Supplemental Indenture, the Mortgages and the Series 2019 Obligation do not purport to be complete. Refer to the Act, the Resolution, the Loan Agreement, the Master Trust Indenture, the Supplemental Indenture, the Mortgages and the Series 2019 Obligation for full and complete details of their provisions. Copies of the Resolution, the Loan Agreement, the Master Trust Indenture, the Supplemental Indenture, the Mortgages and the Series 2019 Obligation are on file with the Authority and the Bond Trustee.

The agreements of the Authority with the holders of the Series 2019 Bonds are fully set forth in the Resolution. Neither any advertisement of the Series 2019 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2019 Bonds.

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

The information regarding the Corporation, the Obligated Group, Northwell and the Master Trust Indenture was supplied by the Corporation.

The information set forth herein relating to the Authority under the heading “**PART 7 – THE AUTHORITY**” has been obtained from the Authority. All other information herein has been obtained by the Underwriters from the Corporation, on behalf of itself and the other Members of the Obligated Group, and other sources deemed to be reliable by the Underwriters, and is not to be construed as a representation by the Authority or the Underwriters. In addition, the Authority does not warrant the accuracy of the statements contained herein relating to the Corporation or the Obligated Group nor does it directly or indirectly guarantee, endorse or warrant (i) the creditworthiness or credit standing of the Corporation or the Obligated Group, (ii) the sufficiency of the security for the Series 2019 Bonds or (iii) the value or investment quality of the Series 2019 Bonds.

The information regarding DTC and DTC’s book-entry system has been furnished by DTC.

APPENDICES C, D, E and H have been prepared by Orrick, Herrington & Sutcliffe LLP, New York, New York, Co-Bond Counsel to the Authority.

APPENDICES F and G have been prepared by Hawkins Delafield & Wood LLP, counsel to the Obligated Group.

The audited consolidated financial statements of Northwell Health, Inc. for the years ended December 31, 2018 and 2017 included in **APPENDIX B-1** of this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their reports appearing therein. The unaudited interim consolidated financial statements of Northwell Health, Inc. for the six months ended June 30, 2019 and 2018 included in **APPENDIX B-2** of this Official Statement have been provided by the Corporation.

The Corporation has reviewed the sections of this Official Statement describing the Obligated Group and Northwell under the headings “**PART 1 – INTRODUCTION,**” “**PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS,**” “**PART 3 – THE SERIES 2019 BONDS,**” “**PART 4 – PLAN OF FINANCE,**” “**PART 5 – ESTIMATED SOURCES AND USES OF FUNDS,**” “**PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP,**” “**PART 10 – TAX MATTERS**” (with respect to underlying factual matters set forth therein), “**PART 16 – CONTINUING DISCLOSURE,**” “**Northwell and the Obligated Group**” in “**APPENDIX A**” hereto, “**Audited Consolidated Financial Statements of Northwell Health, Inc. for the Years Ended December 31, 2018 and 2017, with Report of Independent Auditors**” in “**APPENDIX B-1**” hereto and “**Unaudited Interim Consolidated Financial Statements of Northwell Health, Inc. for the Six Months Ended June 30, 2019 and 2018**” in “**APPENDIX B-2**” hereto. The Corporation, on behalf of itself as and Obligated Group Representative on behalf of the Obligated Group, shall certify as of the date hereof and as of the date of delivery of the Series 2019 Bonds that such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

**DORMITORY AUTHORITY OF
THE STATE OF NEW YORK**

By: /s/ Authorized Officer
Authorized Officer

APPENDIX A

NORTHWELL AND THE OBLIGATED GROUP

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NORTHWELL AND THE OBLIGATED GROUP

Introduction

Northwell Health, Inc. (“NHI”), together with its member corporations and affiliated entities, constitutes an integrated health care delivery system serving the greater metropolitan New York area, and is comprised of 19 hospitals, three long-term care facilities, four certified home health care agencies, six trauma centers, a hospice network, over 750 ambulatory and physician practice locations, The Feinstein Institutes for Medical Research (the “Feinstein Institutes”) and other controlled entities (collectively referred to as “Northwell”).

The members of the Obligated Group, each of which is a component of Northwell, are: Long Island Jewish Medical Center (“LIJMC”), North Shore University Hospital (“NSUH”), Glen Cove Hospital (“GCH”), Plainview Hospital (“PVH”), Northwell Health Stern Family Center for Rehabilitation (“Stern”), Southside Hospital (“SH”), Huntington Hospital Association d/b/a Huntington Hospital (“HH”), Staten Island University Hospital (“SIUH”), Lenox Hill Hospital (“Lenox”) and Northwell Healthcare, Inc. (“HCI”). The above-referenced entities are each referred to individually as a “Member of the Obligated Group” and, collectively, as the “Obligated Group”. HCI is the sole member (parent) of each other Member of the Obligated Group, and is both a Member of and the representative for the Obligated Group. NHI is the ultimate parent holding company of each Member of the Obligated Group and of Northwell, but NHI is not a Member of the Obligated Group.

Northwell had \$11.6 billion in total operating revenue for the fiscal year ended December 31, 2018. For the year ended and as of December 31, 2018, the Members of the Obligated Group represented 82.9% of the total consolidated operating revenue and 84.1% of the total consolidated assets of Northwell.

Unless otherwise indicated, all references to financial and statistical data are based on Northwell internal records.

Northwell

According to “The Top 25 Integrated Health Systems”, a market insights report published by IQVIA/IMS Health and Quintiles in October 2018 that ranked all health systems in the United States by number of facilities and physicians, Northwell is the:

- 11th largest not-for-profit health care system in the nation; and
- 16th largest health care system overall in the nation.

Based on data provided by the New York Statewide Planning and Research Cooperative System, Northwell had a 2018 inpatient market share of 29.9% in its service area, which has a population of more than eight million people residing in Nassau, Suffolk, Queens, New York (Manhattan), Richmond (Staten Island) and Westchester Counties. Northwell attracts patients from other surrounding areas as well.

Northwell delivers clinical care throughout the New York metropolitan area, conducts research at the Feinstein Institutes, has developed innovative approaches to undergraduate medical education at the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell (the “School of Medicine”), and through its population health initiatives addresses the full spectrum of health care needs of the communities it serves. In 2018, based on data provided by the New York State Department of Health, Northwell delivered more cancer care to residents of New York State than any other health care provider. Northwell cares for people at every stage of life. Northwell’s hospitals and long-term care facilities house approximately 6,600 beds, employ more than 16,000 nurses and have affiliations with over 12,600 physicians. With a workforce

of approximately 70,000, Northwell is one of the largest private-sector employers and the sixth largest employer overall in the New York City metropolitan area according to a survey published by Crain's New York Business in 2018. Northwell sponsors the third largest graduate medical education program in the United States, with over 1,800 residents and fellows.

Six of Northwell's hospitals have achieved Magnet recognition from the American Nurses Credentialing Center, a prestigious distinction recognizing healthcare organizations for nursing excellence and high-quality patient care. According to the American Nurses Credentialing Center, a subsidiary of the American Nurses Association, only eight percent of hospitals in the United States have earned this designation.

Approximately 4,380 employed physicians and over 8,200 community physicians are on the medical staffs of the Northwell facilities. According to "The Top 25 Physician Groups by Number of Physicians", as published by Definitive Healthcare in May 2018, Northwell Health Physician Partners (a division of Northwell) is the sixth largest medical group in the United States. In addition, "New York's Best Doctors", a survey published in *New York* magazine on June 4, 2019, cited over 186 Northwell doctors as being at the top of their fields in the New York area. *New York Magazine* generates the annual "Best Doctors" list based on peer-reviewed surveys from Castle Connolly Medical Ltd., a New York-based research and information company. The 2019 list features 1,390 physicians across the tri-state area. Those honored Northwell physicians represent a wide variety of specialties.

In 2017, Northwell announced that it plans to wind down operation of its health insurance plans and withdraw from New York State's insurance markets. For additional information, see "Health Insurance Companies" and "Management's Discussion and Analysis of Recent Financial Performance" herein.

In 2008, Hofstra University and Northwell entered into a joint academic agreement to develop the School of Medicine as an allopathic medical school. The School of Medicine received full accreditation in February 2015, and the inaugural class graduated in May 2015. See "Donald and Barbara Zucker School of Medicine at Hofstra/Northwell" herein.

In July 2015, New York State approval was obtained for the Hofstra Northwell School of Graduate Nursing and Physician Assistant Studies, which expanded Northwell's medical school partnership with Hofstra University in order to meet the need for nurse practitioners and physician assistants to deliver community-based health care. The School of Graduate Nursing and Physician Assistant Studies enrolled its inaugural class of 30 students in September 2015. As of June 2019, enrollment stands at 146 graduate nursing students, 105 physician assistant students and 10 students in a master of science program in cardiovascular science and perfusion medicine.

Northwell also provides many community education programs and sponsors more than 120 accredited medical, dental and podiatry residency and fellowship training programs, educating over 1,600 future practicing physicians each year. In addition, Northwell educates over 600 students annually from the School of Medicine as well as through its major medical school affiliations with Albert Einstein College of Medicine, New York University, The State University of New York ("SUNY") Downstate, and New York Medical College, as well as other students from medical, dental and podiatric schools across the country and overseas.

Strategy

Over the past decade, Northwell management has pursued and refined a multifaceted plan to expand and strengthen Northwell in order to improve the quality and efficiency of services delivered to residents

of its service area while meeting the changing demands of the health care industry. The principal elements of this strategic plan include the following:

1. Provide a full continuum of care, with particular emphasis on expanding ambulatory network;
2. Educate and train health care providers;
3. Develop pioneering discoveries;
4. Improve the health of populations served;
5. Position Northwell for value-based care payment;
6. Support local communities and address social determinants of health; and
7. Ensure a financially stable organization that is able to fund mission needs.

The implementation of the strategy has included various transactions, as described further below.

Acquisitions

On January 1, 2018, HCI became the sole corporate member of John T. Mather Memorial Hospital (“Mather”), located in Port Jefferson, New York. Mather is a 248-bed community teaching hospital that provides care in bariatrics, neurosurgery, orthopedics, pulmonology, robotic surgery, breast health, mental health and emergency services. It also operates the Precision CyberKnife of New York advanced radiosurgery program. Mather’s graduate medical education program offers residencies in internal medicine, psychiatry, radiology and transitional care. It has more than 2,600 employees and over 800 employed and affiliated physicians. Mather is not a Member of the Obligated Group.

Northwell acquired the assets of Orlin & Cohen Orthopedic Associates, LLP, a medical group consisting of 80 providers in four specialties (orthopedics, physical medicine and rehabilitation, neurology, and pain management) operating across eight locations in Nassau and Suffolk Counties, effective January 1, 2018.

In August 2018, Lenox executed an option agreement related to a block of land in New York City in close proximity to Lenox. Under the agreement, Northwell is required to make minimum monthly payments to the property owner and Lenox has the option to purchase the property at a defined price at certain future dates. The option agreement is for a three-year period with rights to extend for up to two additional years. Program plans for the site are in process as part of Northwell’s master facility plan for the Manhattan market.

On August 1, 2017, Northwell acquired Visiting Nurse Association of Hudson Valley, Inc. and subsidiaries (collectively “VNA”), not-for-profit corporations that operate a certified home health agency, a licensed home health agency and a certified hospice program in Westchester and Putnam Counties in New York. Northwell acquired VNA by means of an inherent contribution with no consideration transferred by Northwell. VNA is not a Member of the Obligated Group.

On March 1, 2017, Northwell purchased the assets of Westchester Health Associates, PLLC, a multispecialty medical practice with over 100 physician, nurse practitioner and physician assistant providers practicing in 37 locations throughout Westchester and Putnam Counties in New York and Fairfield County in Connecticut.

In January 2016, HCI became the sole corporate member of Peconic Bay Medical Center (“Peconic”), a not-for-profit corporation that operates a 140-bed acute care hospital and a 60-bed skilled nursing/rehabilitation center located in Riverhead, New York. Peconic also operates a certified home health agency, a six-bed palliative care center, a campus in Manorville, New York that provides ambulatory and urgent care, and a network of community-based family care and specialty physician practices throughout central and eastern Suffolk County. Peconic is not a Member of the Obligated Group.

In January 2015, HCI became the sole corporate member of two not-for-profit acute care hospitals in Westchester County, New York: Phelps Memorial Hospital Association d/b/a Phelps Hospital (“Phelps”), located in Sleepy Hollow and licensed for 238 beds, and Northern Westchester Hospital Association d/b/a Northern Westchester Hospital (“Northern Westchester”), located in Mount Kisco and licensed for 245 beds. Neither Phelps nor Northern Westchester is a Member of the Obligated Group.

In order for any Northwell affiliate, or any other entity, to join the Obligated Group, a certificate of need application to the New York State Department of Health (“NYSDOH”) would be required under New York State law. In addition, the conditions set forth in the Master Trust Indenture (as defined in the forepart of this Official Statement) for entry into the Obligated Group must be satisfied for any entity to become a Member of the Obligated Group. See “Appendix F – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE” for information regarding the requirements to become a Member of the Obligated Group. Each Member of the Obligated Group is jointly and severally liable for obligations issued under the Master Trust Indenture. No decision has been reached by Northwell as to whether any additional Northwell affiliates will join the Obligated Group.

Joint Ventures, Strategic Alliances and Clinical Collaborations

Management believes it is strategically important to form partnerships and other affiliations across a broad array of health care industry participants, in order to bring new ideas and approaches and diverse sources of capital to Northwell activities. As such, Northwell continues to develop joint ventures, strategic alliances and affiliations with hospitals, other health systems, private physician practices and other partners with which it can pursue its mission and strategic goals. A number of these arrangements are described below.

One key element of Northwell’s joint venture strategy is the acquisition and development of ambulatory surgical centers (“ASCs”) in various specialties in partnership with physicians. To date, Northwell affiliates have acquired controlling interests in seven ASCs and non-controlling interests in four other ASCs located in the Northwell market area. One of the ASCs in which Northwell has a controlling interest developed an additional *de novo* ASC as an extension location, which opened in July 2019. Northwell management expects to make additional investments in existing and *de novo* ASCs over the next several years.

Northwell is partnering with DaVita Kidney Care (“DaVita”), the country’s second largest dialysis provider, in a joint venture to serve thousands of patients in the Northwell service area with integrated kidney care. With a shared vision of kidney care services, the joint venture between Northwell and DaVita seeks to enhance the services provided to kidney dialysis patients throughout the New York metropolitan area. The joint venture became effective in March 2016 and as of June 2019 operates seven dialysis centers throughout the New York metropolitan area. The venture plans to develop 7 to 10 additional dialysis centers within the next two years.

In June 2016, HCI executed a long-term lease for the site of the former Victory Memorial Hospital in the Bay Ridge section of Brooklyn. The facility is to be developed as the site for a variety of health care programs to be delivered by Northwell, its strategic affiliate, Maimonides Medical Center (“MMC”), and

potentially other partners in pursuit of Northwell's expansion plans in Brooklyn. The lease became effective in June 2017.

In August 2015, HCI entered into a clinical affiliation and collaboration agreement with MMC, a 711-bed acute care hospital located in Brooklyn, New York. The purpose of the affiliation is to pursue collaborative activities, such as clinical integration initiatives and ambulatory services joint ventures, as well as service agreements that may generate operational efficiencies. Under the terms of the affiliation agreement, Northwell and MMC remain independent organizations governed by their respective boards of trustees, and HCI loaned \$125 million to MMC for activities in furtherance of the clinical affiliation and collaboration. If Northwell acquires or becomes the sole member and corporate parent of MMC in the future, outstanding amounts borrowed under the loan agreement, including accrued interest, are expected to be forgiven. The affiliation agreement was renewed in August 2018 for a term of two additional years.

In April 2015, Northwell entered into a strategic affiliation with Cold Spring Harbor Laboratory ("CSHL"). Under the terms of this affiliation, Northwell and CSHL will continue as independent organizations governed by their respective boards of trustees. The institutions appointed a committee with responsibility for oversight, staffing and implementation of the affiliation. The goals of the affiliation include: advancing cancer therapeutics research, developing a new clinical cancer research unit at the Northwell Cancer Institute (see "Centers of Excellence" and "Research" herein) to support early-phase clinical studies of new cancer therapies, and recruiting and training more clinician-scientists in oncology.

In April 2015, Northwell entered into an agreement with Optum360, LLC ("Optum360"), a provider of revenue cycle management solutions and technology. Optum360 provides revenue cycle management services for most of Northwell's hospitals. The goal of the arrangement is to enhance Northwell's hospital revenue cycle management, including the modernization of revenue cycle technology, so that Northwell can continue to efficiently and effectively meet the needs of and improve the experience of Northwell's patients and customers. The agreement was amended in July 2018 so that the managers of Northwell's hospital revenue cycle functions reverted to Northwell employees while certain staff remain Optum360 employees.

In 2014, Northwell executed a joint venture agreement with Access Clinical Partners, with a goal of launching a new network of GoHealth Urgent Care centers across the New York metropolitan area over four years. As of July 2019, GoHealth Urgent Care centers had opened at 52 locations throughout the New York metropolitan area.

In 2014, Northwell, in partnership with Yale-New Haven Health System, launched SkyHealth, the New York metropolitan area's first hospital-based Helicopter Emergency Medical Service. Patients of both health systems needing lifesaving care for major traumas, heart attack, stroke and other life-threatening brain injuries can receive emergency medical care by helicopter and be quickly flown to the most appropriate hospital.

In April 2019, Northwell entered into a three-year consulting agreement with NuHealth, the public benefit corporation that operates Nassau University Medical Center ("NUMC"), under which Northwell will assist NUMC in building a senior leadership team and stabilizing its performance. In December 2017, Northwell entered into a similar one-year agreement with One Brooklyn Health, a recently formed health system of safety net hospitals in Brooklyn and Wyckoff Heights Medical Center, a 350 bed teaching hospital located on the Brooklyn-Queens border. The agreement with One Brooklyn Health has been renewed and is effective through April 2020.

Strategic partnerships and alliances (not involving control relationships) have been established with Canyon Ranch, Crouse Health, Institute for Healthcare Improvement, Joint Commission Center for

Transforming Healthcare, Karolinska Institute, Montefiore Medical Center (“Montefiore”), University of Notre Dame, Yale-New Haven Health System, Boca Raton Regional Hospital and NuHealth (Nassau University Medical Center). In addition, NHI has contractual agreements with several other health care institutions (e.g., skilled nursing facilities), terminable on specified written notice, that, along with the strategic partnerships and alliances, provide for cooperation on matters relating to health care delivery, clinical research and health care education for the benefit of their respective communities and the furtherance of their respective missions. These institutions are sometimes referred to herein as “Clinical Affiliates.”

Strategic Realignment of Service Offerings and Affiliations

In connection with Northwell’s overall strategy to respond to shifting trends in utilization of and payment for health care services and other changes associated with health care reform, Northwell’s strategic initiatives may call for changes to, and realignment of, service offerings and other activities of Northwell. From time to time, Northwell may identify and pursue various realignment strategies with the goal of better positioning Northwell to respond to changes in the health care market. In addition, the hospital market in New York City and the surrounding area is in the process of consolidation, and Northwell, from time to time, engages in affiliation discussions with other hospitals and health systems. For a discussion of risks relating to affiliations and similar transactions, see “PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP – Affiliation, Merger, Acquisition and Divestiture” in the forepart of this Official Statement.

Other Information Concerning Northwell

The Chief Executive Officer of NHI is also the Chief Executive Officer of each of the Members of the Obligated Group (other than HH). HCI is the sole corporate member of each other Member of the Obligated Group, and NHI is the sole corporate member of HCI.

With NHI as their common direct or indirect parent, all of the Northwell entities are considered to be under common control for antitrust and other legal purposes and, thus, conduct joint managed care contracting and other joint activities, including strategic planning.

NHI directly or indirectly controls several other corporations that are not Members of the Obligated Group, including but not limited to Mather, Peconic, Phelps, and Northern Westchester. These corporations are referred to herein as the “Other Northwell Entities.” See “Other Northwell Entities” herein for more information.

Other Northwell Entities

In addition to the Members of the Obligated Group, there are other entities that are part of Northwell and have NHI as their ultimate parent but are not Members of the Obligated Group (as previously defined, the “Other Northwell Entities”).

One of the largest of these entities in terms of total operating revenue in 2018 was Northwell Health Laboratories, which had revenues of approximately \$465 million, including \$201 million for laboratory services provided to the members of Northwell, and also provides reference laboratory services for a broad number of providers throughout the service area.

As described above, Phelps and Northern Westchester became members of Northwell effective January 1, 2015. Phelps had 2018 operating revenue of approximately \$310 million, and Northern Westchester had 2018 operating revenue of approximately \$288 million. Peconic became a member of Northwell effective January 15, 2016 and had operating revenue of approximately \$229 million in 2018.

Mather became a member of Northwell effective January 1, 2018 and had operating revenue of approximately \$377 million in 2018. These four hospitals are not Members of the Obligated Group. See “Strategy – *Acquisitions*” herein.

In addition the Feinstein Institutes (see “Research” herein), which had operating revenue of approximately \$68 million in 2018, is not a Member of the Obligated Group.

THE OTHER NORTHWELL ENTITIES ARE NOT MEMBERS OF THE OBLIGATED GROUP AND, THEREFORE, ARE NEITHER OBLIGATED UNDER THE MASTER TRUST INDENTURE NOR RESPONSIBLE FOR PAYMENT OF THE DEBT SERVICE ON EITHER THE NORTHWELL HEALTH TAXABLE BONDS, SERIES 2019A OR THE NORTHWELL HEALTH OBLIGATED GROUP REVENUE BONDS, SERIES 2019A AND 2019B (COLLECTIVELY, THE “BONDS”).

The following organizational chart sets forth certain principal operating entities that comprise Northwell, including all Northwell hospitals, and denotes the entities that are Members of the Obligated Group. The chart omits certain other Northwell affiliates, none of which are Members of the Obligated Group. The map on the following page shows the location of each of the Northwell hospitals.

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Northwell Health, Inc.

Not-for-Profit Corporation

Obligated Group Member

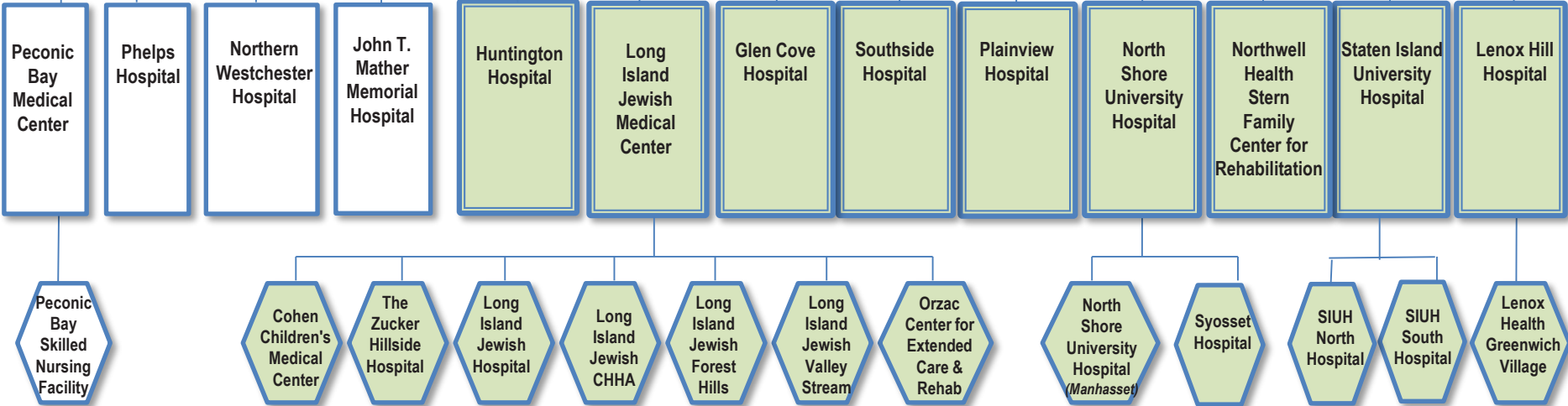
Division

Northwell Health, Inc.

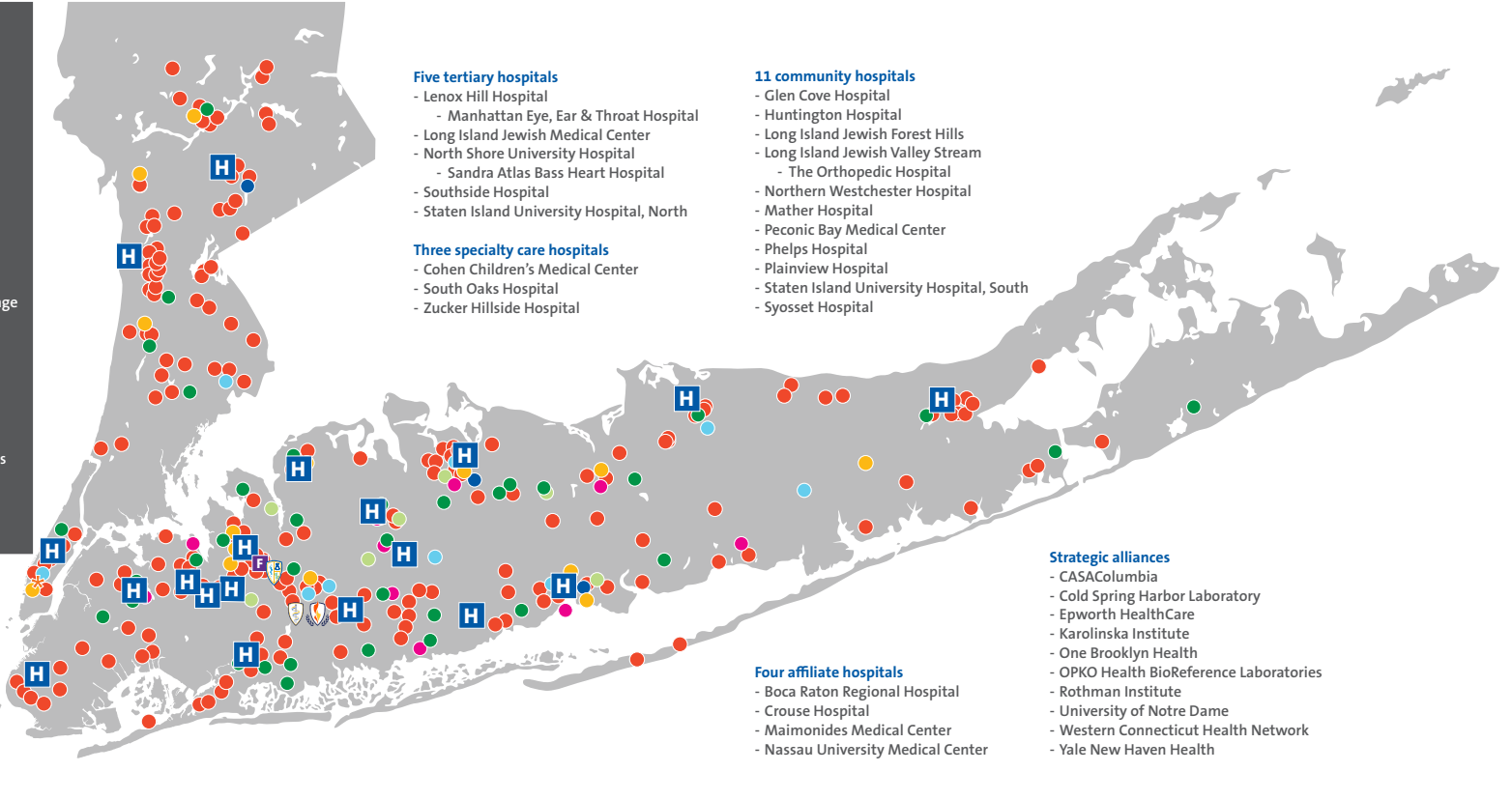
Other Entities
(See "Other Northwell Entities")

Northwell Healthcare, Inc.

6-V



-  Hospitals
-  Feinstein Institute
-  Physician Offices
-  Imaging Centers
-  Urgent Care Centers
-  Ambulatory Surgery Centers
-  Cancer Centers
-  Dialysis Centers
-  Lenox Health Greenwich Village
-  Lab Patient Service Centers
-  Donald and Barbara Zucker School of Medicine at Hofstra/Northwell
-  Hofstra Northwell School of Graduate Nursing and Physician Assistant Studies
-  Elmezzi Graduate School of Molecular Medicine at Northwell Health



- Five tertiary hospitals**
- Lenox Hill Hospital
 - Manhattan Eye, Ear & Throat Hospital
 - Long Island Jewish Medical Center
 - North Shore University Hospital
 - Sandra Atlas Bass Heart Hospital
 - Southside Hospital
 - Staten Island University Hospital, North
- Three specialty care hospitals**
- Cohen Children's Medical Center
 - South Oaks Hospital
 - Zucker Hillside Hospital

- 11 community hospitals**
- Glen Cove Hospital
 - Huntington Hospital
 - Long Island Jewish Forest Hills
 - Long Island Jewish Valley Stream
 - The Orthopedic Hospital
 - Northern Westchester Hospital
 - Mather Hospital
 - Peconic Bay Medical Center
 - Phelps Hospital
 - Plainview Hospital
 - Staten Island University Hospital, South
 - Syosset Hospital

- Four affiliate hospitals**
- Boca Raton Regional Hospital
 - Crouse Hospital
 - Maimonides Medical Center
 - Nassau University Medical Center
- Strategic alliances**
- CASAColumbia
 - Cold Spring Harbor Laboratory
 - Epworth HealthCare
 - Karolinska Institute
 - One Brooklyn Health
 - OPKO Health BioReference Laboratories
 - Rothman Institute
 - University of Notre Dame
 - Western Connecticut Health Network
 - Yale New Haven Health

Hospitals and Long-Term Care Facilities

Each Northwell facility listed in the table below is a New York not-for-profit corporation that is exempt from federal income tax under 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, and has been established as an operator of a hospital or a residential health care (skilled nursing) facility pursuant to Article 28 of the Public Health Law of the State of New York (the “Public Health Law”). Several of these entities are also concurrently licensed under Article 31 and/or Article 32 of the Public Health Law.

	Licensed Beds
Tertiary Facilities	
Long Island Jewish Medical Center	
Long Island Jewish Hospital	583
The Zucker Hillside Hospital ⁽¹⁾	236
Steven and Alexandra Cohen Children’s Medical Center (“CCMC”) ⁽¹⁾	206
Long Island Jewish Forest Hills (“LIJFH”) ⁽²⁾	312
Long Island Jewish at Valley Stream (“LIJVS”) ⁽²⁾	284
Orzac Center for Rehabilitation (“Orzac”) ⁽³⁾	120
North Shore University Hospital	
North Shore University Hospital (Manhasset)	756
North Shore University Hospital (Syosset) ⁽⁴⁾	103
Lenox Hill Hospital	632
Lenox Health Greenwich Village (satellite campus)	2
Southside Hospital	305
Staten Island University Hospital	
Staten Island University Hospital – South ⁽⁴⁾	194
Staten Island University Hospital – North	472
Community Hospitals and Skilled Nursing Facilities	
Huntington Hospital	348
Glen Cove Hospital	247
Northern Westchester Hospital	245
Peconic Bay Medical Center	140
Peconic Bay Skilled Nursing Facility ⁽⁵⁾	60
Phelps Hospital	238
Plainview Hospital	204
Northwell Health Stern Family Center for Rehabilitation	256
South Oaks Hospital	202
John T. Mather Memorial Hospital	248

- ⁽¹⁾ The Zucker Hillside Hospital and CCMC are specialty care hospitals under common license with LIJMC.
- ⁽²⁾ LIJFH (formerly Forest Hills Hospital) and LIJVS (formerly Franklin Hospital) provide community care under common license with LIJMC and were merged into LIJMC effective January 2016.
- ⁽³⁾ Orzac provides skilled nursing care under common license with LIJMC.
- ⁽⁴⁾ Syosset and Staten Island University Hospital – South each primarily provide community hospital care, but under common license with NSUH and SIUH, respectively.
- ⁽⁵⁾ 60 skilled nursing beds are co-located at Peconic Bay Medical Center.

In 2014, Northwell opened a satellite hospital campus of Lenox at Lenox Health Greenwich Village, which operates an emergency medical facility. The facility opened an imaging center in 2016, and a specialized ASC, Greenwich Village ASC, in 2018. There are plans for the addition of physician offices in the future.

In November 2017, The Long Island Home (“LIH”) sold the assets of Broadlawn, a skilled nursing facility formerly operated by LIH, to an independent operator of skilled nursing facilities.

In July 2019, the Board of Trustees of Northwell approved a change to the name of SH from Southside Hospital to South Shore University Hospital. The name change will not take effect until all required governmental and other approvals are received.

Competition and Other Area Health Systems

The Members of the Obligated Group and the Other Northwell Entities operate within a highly competitive health care market, which includes Nassau and Suffolk Counties on Long Island, New York (Manhattan), Queens and Richmond (Staten Island) Counties in New York City, and Westchester County, and also draw patients from surrounding areas. The service areas of the hospitals in these areas tend to overlap due in part to their relatively close geographic proximity. While these hospitals typically have a number of core services to meet the health care needs of the local community, their more sophisticated services and specialty programs also draw patients nationally and in some cases internationally.

Competitors and other local health systems and hospitals on Long Island include: (i) Catholic Health Services of Long Island (“CHS-LI”), a health system with three hospitals in Nassau County (St. Francis Hospital, Mercy Medical Center and St. Joseph’s Hospital) and three hospitals in Suffolk County (St. Charles Hospital and Rehabilitation Center, St. Catherine of Siena Hospital and Good Samaritan Hospital Medical Center); (ii) Stony Brook University Medical Center (“SBUMC”) (including the hospitals formerly known as Southampton Hospital, which merged into SBUMC effective August 2017, and Eastern Long Island Hospital, which merged into SBUMC effective July 2019); and (iii) NUMC, which is a Clinical Affiliate of Northwell (see “Strategy – *Joint Ventures, Strategic Alliances and Clinical Collaborations*” herein).

Competitor systems and major medical centers located in and around Manhattan include: (i) New York-Presbyterian Healthcare System (“New York-Presbyterian”), a health system composed of several affiliated hospitals, including one hospital in Queens (New York-Presbyterian/Queens), and four in Manhattan (New York-Presbyterian/Columbia University Medical Center, New York-Presbyterian/Weill Cornell Medical Center, New York-Presbyterian/The Allen Hospital and New York-Presbyterian/Lower Manhattan Hospital), and two in Westchester County (New York-Presbyterian/Hudson Valley Hospital and New York-Presbyterian/Lawrence Hospital); (ii) the New York City Health and Hospitals Corporation (“H+H”), a municipal health system comprising eleven hospitals in the Bronx, Brooklyn, Queens and Manhattan (in the Northwell service area, H+H operates two hospitals in Queens: Elmhurst Hospital Center and Queens Hospital Center, and three hospitals in Manhattan: Bellevue Hospital Center, Harlem Hospital Center, and Metropolitan Hospital Center); (iii) Mount Sinai Health System (“Mount Sinai”), a health system with one hospital in Brooklyn (Mount Sinai Brooklyn), one in Queens (Mount Sinai Queens), five in Manhattan (The Mount Sinai Hospital, New York Eye & Ear Infirmary of Mount Sinai, Mount Sinai Beth Israel, Mount Sinai West and Mount Sinai St. Luke’s) and one in Nassau County (South Nassau Communities Hospital, which became an affiliate of Mount Sinai in October 2018); (iv) NYU Langone Hospitals, with two hospitals in Manhattan (Kimmel Pavilion/Tisch Hospital and NYU Langone Orthopedic Hospital), one in Brooklyn (NYU Langone Hospital - Brooklyn) and one on Long Island (NYU Winthrop Hospital); and (v) MediSys Health Network (“MediSys”), which is comprised of two hospitals in Queens (Jamaica Hospital Medical Center and Flushing Hospital Medical Center). In Richmond County,

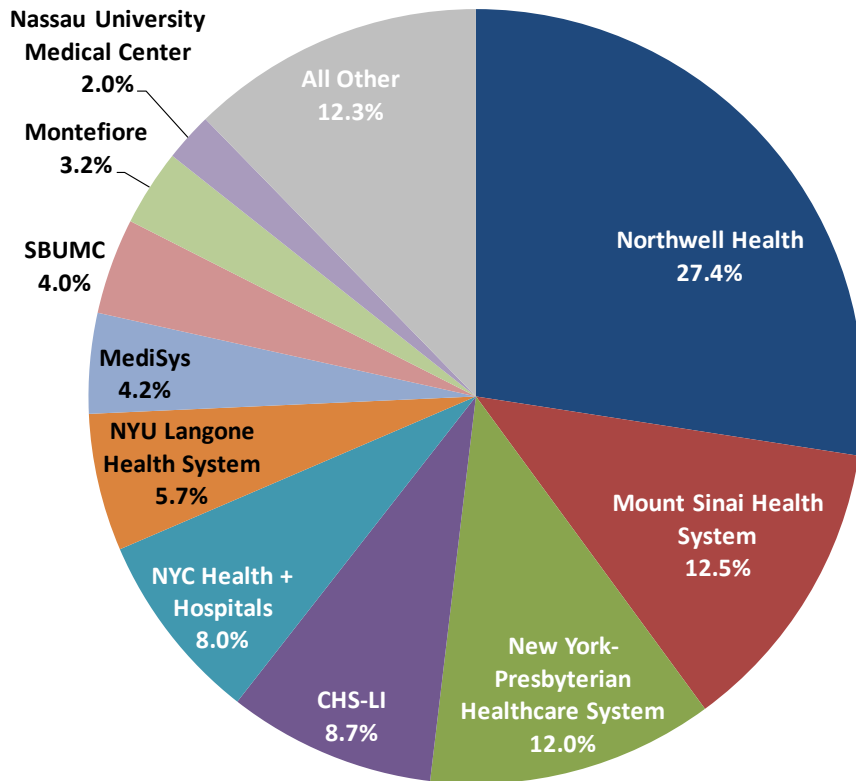
where SIUH is the major provider, the only other acute care hospital provider is Richmond University Medical Center.

In Westchester County, competitors and other nearby hospitals include Westchester Medical Center in Valhalla, New York Presbyterian/Hudson Valley Hospital in Peekskill, and White Plains Hospital in White Plains, a member of the Montefiore Health System.

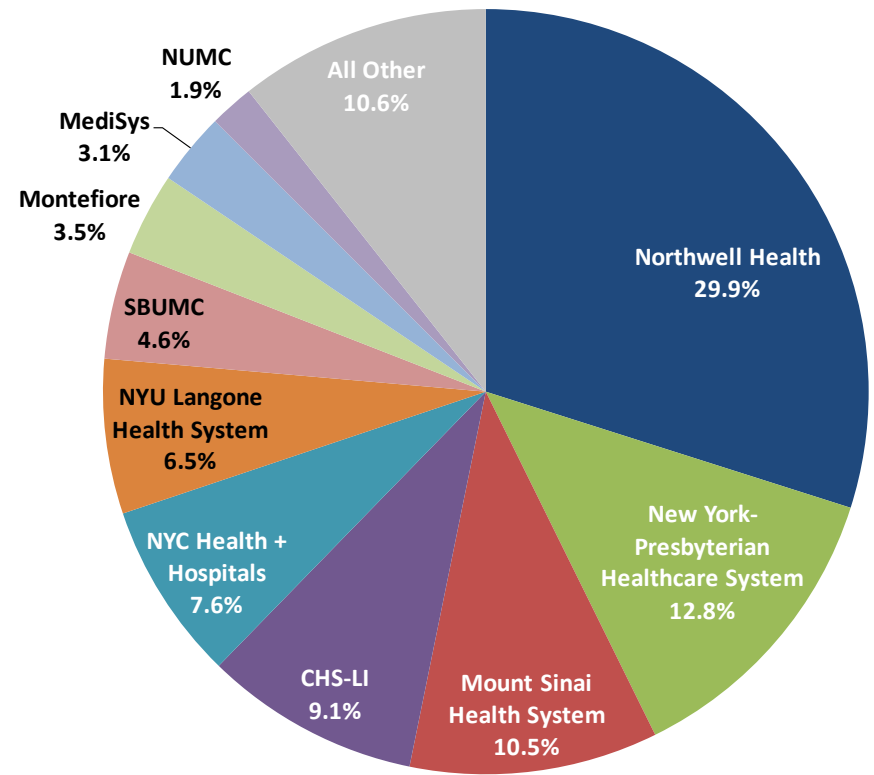
According to the New York Statewide Planning and Research Cooperative System data for hospital discharges for the nine months ended September 30, 2018 and year ended December 31, 2017, Northwell (including in all periods Mather, which joined the health system January 1, 2018) had an inpatient market share of 29.9% and 29.6% respectively, in its market area (as defined above and excluding newborns). For the nine months ended September 30, 2018, the next largest single competitor, New York-Presbyterian, held a 12.8% market share.

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2010 Market Share*



2018 Market Share*



* Includes all Northwell hospitals in both years, including Mather, which joined Northwell on January 1, 2018, and all competitor hospitals for both years.

Source: SPARCS data as of September 2018 based on discharges and patient origin; excludes normal newborns (DRG 795)
Market includes Staten Island, Queens, Manhattan, Nassau, Suffolk and Westchester residents

Geographic Origin of Inpatients and Ambulatory Surgery Patients of Northwell

The following chart sets forth the geographic origin of inpatient and ambulatory surgery patients of the Northwell hospitals for the three years ended December 31, 2016, 2017 and 2018.

<u>County</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Suffolk	24.05%	24.05%	23.85%
Queens	23.14	23.07	23.46
Nassau	20.28	20.23	20.14
Richmond	11.37	11.49	11.39
Westchester	5.89	6.04	6.12
New York	5.31	5.28	5.20
Other	<u>9.96</u>	<u>9.84</u>	<u>9.84</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Data for Mather is included in all periods.

Northwell Physician Partners and Ambulatory Services

Northwell Physician Partners (“Physician Partners”), consisting of approximately 4,380 physicians, includes all faculty physicians and clinical practitioners employed by the Members of the Obligated Group and the Other Northwell Entities. Physician Partners practitioners recorded over 5.1 million patient visits and consultations in 2018. Physician Partners is responsible for quality and ambulatory nursing and maintains an oversight committee that provides sponsorship and support for the activities of the faculty practice. Northwell maintains an administrative unit (“Ambulatory Services”) that supports Physician Partners and all other ambulatory clinical services through strategic planning and business development, revenue cycle services, physician practice management, finance, information technology, human resources and operational support.

Physician Partners and Ambulatory Services are integrated components of Northwell and are not incorporated as separate business entities. Management of Northwell believes that this structure encourages the integration of administration and clinicians acting as partners in fulfilling objectives consistent with the mission of Northwell.

Ambulatory care services are provided at many locations in the service area, including the Northwell Health Center for Advanced Medicine (“CFAM”), which is located adjacent to LIJMC’s campus and two miles from the NSUH-Manhasset campus. CFAM brings together all ambulatory cancer services offered by NSUH and LIJMC at one facility. CFAM also houses the Northwell Health Cancer Institute, which coordinates cancer care throughout Northwell under centralized leadership, as well as The Smith Institute for Urology, an ASC, a diagnostic imaging center, and the Bioskills Education Center.

The Lenox Hill Hospital Extension Clinic at MEETH (“MEETH”) is a Lenox outpatient center located on East 64th Street in Manhattan (formerly the site of Manhattan Eye, Ear and Throat Hospital, which merged into Lenox in 2007). MEETH includes an ambulatory surgery center as well as numerous outpatient specialty clinics.

Ambulatory care services within Northwell cover six primary care areas and 43 specialty care services, and provide services that allow access to medical care to individuals across their entire life span. The six primary care areas are General Internal Medical, General Pediatrics, Adolescent Medicine, Obstetrics/Gynecology, Nephrology/End-Stage Renal Disease and Infectious Disease/Center for AIDS

Research and Treatment. The 43 specialty care services encompass a full spectrum of medical, pediatric, and surgical specialty services, capable of addressing complex as well as simple health needs. These services are provided in locations that include both the hospital campuses and off-site locations.

Medical Staff

Northwell members employ directly, or through controlled professional corporations, approximately 4,380 physicians. In addition, approximately 8,250 private practice physicians who are not employed by Northwell have medical staff privileges at Northwell facilities.

The following is a summary of the medical staff of Northwell as of June 2019:

Active Medical Staff ⁽¹⁾	% Board Certified	Average Age of Active Medical Staff
12,623	85%	53

⁽¹⁾ Total number of active physicians at all facilities are counted only once and do not include cross-credentialing hospital affiliations.

Centers of Excellence

Northwell provides substantially all inpatient specialties and subspecialties and a broad range of outpatient services. In addition, Northwell is currently expanding centers of excellence in neurosciences, tertiary cardiac care, women’s health, cancer, orthopedics, robotic and minimally invasive surgery, and trauma. Examples of this strategy include CFAM, The Institute for Orthopedic Science, the Katz Women’s Hospital, the Harvey Cushing Institutes of Neuroscience, the Heart and Lung Institute, the Heart Hospital, the Trauma Institute, and the network of excellence in robotic and minimally invasive surgery.

Research

The Feinstein Institutes is the research branch of Northwell and is headquartered in Manhasset, New York. The Feinstein Institutes is composed of more than 1,500 clinicians, scientists and staff who work in laboratories and clinical research programs in collaboration with clinicians and patients throughout Northwell facilities. Every year, more than 15,000 patients and volunteers participate in over 2,000 research studies. The Feinstein Institutes received a total of approximately \$52 million in grants and contracts from the National Institutes of Health, the Department of Defense and other federal and private sources in 2018.

The Feinstein Institutes, which is not a Member of the Obligated Group, was established by Northwell in 1999 as an independently chartered, not-for-profit research corporation, beginning with 30 laboratories and clinical research programs. In 2010, the Feinstein Institutes opened a new 55,000 square foot research building to increase its capacity to recruit scientific leaders in molecular medicine, doubling the size of the animal vivarium and increasing scientific staff working in preclinical development. Currently, 50 laboratories and programs are operated at the Feinstein Institutes.

Researchers at the Feinstein Institutes focus on discoveries that can become the basis for innovative therapies, integrating both basic science and clinical experience into approaches designed to unravel the causes of a wide variety of diseases. The major components of this enterprise include bioelectronic medicine, molecular medicine, clinical research, behavioral health, cancer research, and health and economic outcomes (also known as health services or public health research). Scientific advances stemming from these investigations have led to a patent estate of more than 200 patents in 70 fields of technology.

Labor Relations

As of June 2019, Northwell had over 69,700 employees. Through its Corporate Human Resources Department, Northwell manages its entire workforce, administers benefits and compensation packages to all employees, and handles all labor relations and union contracts organization-wide.

Multiple factors, including an aging national workforce, a high volume of workers approaching retirement, low New York State unemployment rates, and an increase in senior patient populations have created labor shortages that are impacting health care institutions at local, regional and national levels. In response to these challenges, Northwell continues to offer total rewards packages that management believes are competitive.

In addition, Northwell has developed various pipeline programs for shortage occupations, including community health worker and nursing specialty practice areas (*i.e.*, critical care, operating room, emergency department, oncology, and pediatric intensive care). Northwell and the SEIU 1199 Training and Employment Fund (“TEF”) collaborate with learning institutions and the Health Career Advancement Program, a national labor/management organization, on numerous workforce training and development initiatives. Northwell launched its first apprenticeship program in partnership with TEF in January 2019. This novel work-study program promotes service-level staff into hard-to-fill Certified Sterile Processing Technician (“CST”) positions. CST’s reprocess and sterilize reusable surgical instruments 24 hours a day, seven days per week and play a critical role in supporting system-wide perioperative services and quality surgical outcomes.

Northwell has also established administrative fellowship and high potential development programs to cultivate physician and administrative leaders needed to support system growth and healthcare transformation. Northwell received the 2018 Business Leadership Award from the New York Association of Training and Employment Professionals recognizing its collaboration with local workforce boards and innovative workforce development programs, including the annual SPARK! Challenge which ignites interest in science, technology, engineering and math careers at the high school level.

The Hofstra Northwell School of Graduate Nursing and Physician Assistant Studies opened in 2015 to address the increasing need for nurse practitioners and physician assistants to deliver community-based care. Ten year projections by the New York State Department of Labor indicate that the demand for these roles will increase by 40%. The Graduate School recently added a new track for psychiatric-mental health nurse practitioner to address an increasing need for behavioral health services as well as a shortage of licensed behavioral health providers. For more information regarding the Hofstra Northwell School of Graduate Nursing and Physician Assistant Studies, see “Northwell” herein.

There are currently 27 collective bargaining agreements in effect to which a Member of the Obligated Group is a party. The agreements expire on a rolling basis through March 31, 2022. In the past fifteen years, there have not been any work stoppages at any Member of the Obligated Group. The largest union presence is 1199 Service Employees International Union United Healthcare Workers East (“SEIU”), which represents over 15,000 employees and which contract is currently scheduled to expire on September 30, 2021.

Management believes that Northwell’s relationships with SEIU, the New York State Nurses Association and its other collective bargaining organizations are good. As of April 30, 2019, 33% of the total Northwell workforce was unionized. The Northwell Labor and Employee Relations Management team routinely collaborates with various groups of union organizers and delegates to support sound employee

relations, to reduce areas of conflict and to ensure that the interests of all parties are served. In addition, the majority of Northwell's unionized facilities have Departmental Labor Management Committees, Unit-Based Councils, or Collaborative Care Councils that work to resolve challenges and lead quality improvement initiatives at the department/unit level.

Employee Benefit Plans

Northwell's principal post-retirement benefit plan is a noncontributory, defined benefit pension plan referred to as the Northwell Health Cash Balance Plan (the "Cash Balance Plan"). Several other defined benefit and defined contribution retirement plans are also sponsored by Northwell.

Contributions to the defined benefit and defined contribution plans are funded as required by the Employee Retirement Income Security Act of 1974 ("ERISA"). Defined benefit plan contributions are based on annual actuarial projections. Contributions to the defined contribution plans are based on percentages of annual salaries.

The combined funded status of Northwell's non-contributory defined benefit pension plans, on an actuarial basis was 71% and 69% at December 31, 2017, and 2018, respectively. The discount rates used as the basis for calculating the pension plan liability were 3.75% and 4.35%, respectively. Refer to Note 9 to the Audited Consolidated Financial Statements of Northwell Health, Inc. for the years ended December 31, 2018 and December 31, 2017 with Report of Independent Auditors (the "Audited Consolidated Financial Statements") in Appendix B-1 and "Management's Discussion and Analysis of Recent Financial Performance" herein for additional information on the funded status of Northwell's pension plans and "Investment Policy" herein for Northwell's investment target allocations for plan assets.

For further information concerning Northwell's participation in multi-employer defined benefit pension plans and the risks of such plans, which as of June 30, 2019 covered approximately 18,000, unionized Northwell workers, see Note 9 to the Audited Consolidated Financial Statements in Appendix B-1 and "PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP – Multiemployer Pension Plans" in the forepart of this Official Statement. For information concerning other postretirement benefit plans, see Note 9 to the Audited Consolidated Financial Statements in Appendix B-1.

Donald and Barbara Zucker School of Medicine at Hofstra/Northwell

In 2008, Hofstra University, based in Hempstead, New York, and Northwell entered into a joint academic agreement to work in close collaboration to develop an allopathic medical school. The school was renamed in August 2017 as the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell in recognition of the Zucker family's long-time and significant support of the next generation of health care professionals in medicine, research and nursing. The School of Medicine is a division of Hofstra University and is not a member of Northwell or of the Obligated Group.

The School of Medicine opened with its first class of 40 students in August 2011. It is fully accredited by the Liaison Committee on Medical Education and by the New York State Department of Education. Northwell and Hofstra University have jointly developed the School of Medicine's curriculum. Training involves a patient-centric approach, including case studies, team-based learning and hands-on care. For the 2017–2018 academic year, the School of Medicine reached its full enrollment of approximately 100 students in each year of training for a total student body of over 400 students, including a Medical Scientist Training Program that awards a dual M.D./Ph.D. degree. During the application process for the 2018 entering class, the School of Medicine received applications from over 5,342 applicants, of which 713 were selected for interviews and 364 were accepted. The entering class of 2018 comes from 56 undergraduate universities in 19 different states and has a median GPA of 3.80 and MCAT score of 516.

Northwell agreed to reimburse Hofstra University a minimum of \$5 million for a portion of the School of Medicine's annual academic year operating costs each year with amounts indexed to the School of Medicine's tuition. Reimbursement payments are contingent upon annual approval by the boards of NHI and Hofstra University. For further information concerning Northwell's commitments to the School of Medicine, see Note 13 to the Audited Consolidated Financial Statements in Appendix B-1.

Licensure and Accreditation

Northwell's hospitals and skilled nursing facilities are each licensed by NYSDOH and are currently accredited through The Joint Commission. The accreditations are typically renewed on a three-year basis and the renewal dates vary across the facilities. These facilities are also certified by the United States Department of Health and Human Services ("DHHS") for participation in the Medicare and Medicaid programs.

Community Benefit

Northwell strives to improve the health and quality of life of the people and communities it serves by providing high-quality service and patient-centered care. To fulfill its mission and meet its charitable purpose, in 2017 Northwell contributed more than \$1.3 billion in community benefit programs and services or approximately 12% of Northwell's operating expenses, offering more than 13,000 programs and serving over five million community members. Northwell provides a broad array of community benefit programs, such as: improving access to health care services and caring for the medically underserved; screenings and health fairs; community education and outreach; and support groups.

Financial Assistance Policy

To further its mission of providing the highest quality of care to all patients, regardless of their ability to pay, Northwell offers care at reduced fees for individuals and families who lack insurance, or are underinsured, and cannot afford to pay out-of-pocket expenses. The centerpiece of this community health advocacy plan is a financial assistance policy (the "FAP") that establishes reduced fees for needy patients seeking medically necessary inpatient, outpatient, emergency, ancillary, ambulatory, primary or specialty care at Northwell facilities. The FAP also includes professional fees if the services are performed at a Northwell facility by employed physicians or other providers. Eligibility is based on income and family size and is available for families earning up to five times the Federal Poverty Level issued by DHHS. Individuals are also screened for Medicaid and other government-subsidized insurance programs such as Child Health Plus. The FAP exceeds the requirements for providing financial assistance to low-income, uninsured patients enacted by the New York State Legislature.

All medically necessary services are covered under the FAP. The FAP is communicated through multilingual signage throughout Northwell's facilities, multilingual educational brochures at key points of patient contact, the website, staff outreach and is noted on patient bills.

Outstanding Indebtedness

Northwell's total outstanding debt, including long-term debt, finance lease obligations (formerly referred to as capital lease obligations) and short-term borrowings, as of June 30, 2019, was approximately \$3.5 billion and was comprised of 5.6% variable rate debt and 94.4% fixed rate debt. The majority of the long-term variable rate debt is hedged under interest rate swap agreements. As such, the effective percentage of variable and fixed rate debt of Northwell's total outstanding debt is 4% and 96%, respectively. Approximately \$2.8 billion of the total debt is secured by obligations issued under the Master Trust Indenture.

Refer to Note 7 of the Audited Consolidated Financial Statements in Appendix B-1 and see “Management’s Discussion and Analysis of Recent Financial Performance” herein for more information on revolving credit availability, debt, finance lease obligations and interest rate swap agreements.

Risk Management and Commercial Insurance Program

Oversight of Northwell’s commercial insurance program and risk management services is centralized and provided by the Risk Management Department. This department has a staff of legal and insurance professionals who identify, evaluate, and mitigate risks within Northwell. The department has oversight of the commercial property and casualty insurance as well as self-insurance programs. It also reviews contracts for risk issues, administers property and casualty claims, recommends the purchase of insurance as needed, and consults with Northwell’s insurance brokers, defense counsel, actuarial firms and third party claims administrators.

Northwell maintains a portfolio of commercial insurance to transfer certain risks. The portfolio currently includes directors’ and officers’/employment practices liability insurance, fiduciary liability, umbrella liability policies, automobile liability, cyber/privacy insurance, crime, pollution legal liability, statutory workers’ compensation, and property insurance including boiler and machinery coverage. Northwell’s property insurance program has an overall limit of over \$1 billion, including \$200 million for earthquake damage and \$300 million generally for flood damage; sub-limits apply for certain perils. These limits have been sufficient to pay for losses that occurred including Hurricane Irene in 2011 and Super Storm Sandy in 2012.

As the organization has grown, management has elected to self-insure certain types and/or layers of risk as an effective tool utilized by many companies Northwell’s size. Management believes that the size of Northwell and the cost of certain types of insurance increase the need for, and efficiency of, self-insuring and self-administering the risk within certain layers and commercially insuring against catastrophic exposure. These currently include the primary medical malpractice limits of \$9,375,000 per claim, including defense costs, general liability (\$1 million per occurrence plus defense costs), a \$750,000 deductible on automobile liability, a \$250,000 deductible for most perils on automobile physical damage, and a \$1 million deductible on workers’ compensation and/or employer’s liability claims. The Risk Management Department works closely with an independent actuary and its insurance broker to review Northwell’s self-insured and/or retained risk programs on a regular basis.

The purchase of the various policies and limits and deductibles are adjusted in accordance with the current insurance market and exposures within Northwell. Formal loss control programs are in force to reduce loss throughout Northwell from a variety of risks such as injury to patients, damage to property and injury to employees.

In conjunction with the workers’ compensation program, letters of credit have been, and are expected to be, issued by banks under reimbursement agreements with Northwell. Such reimbursement agreements are and will be secured by Obligations issued and to be issued pursuant to the Master Trust Indenture. For additional information, see Note K to the Unaudited Interim Consolidated Financial Statements of Northwell Health, Inc. for the six months ended June 30, 2019 and 2018 (the “Unaudited Interim Consolidated Financial Statements”) included as Appendix B-2. In July, 2019, Northwell entered into an additional \$19.9 million commitment with a bank for the issuance of such letters of credit, and is in the process of entering into an additional \$99.1 million of commitments by banks to issue letters of credit to be used in connection with Northwell’s high deductible workers’ compensation and vehicle insurance programs described in Note K to the Unaudited Interim Consolidated Financial Statements. The recently closed \$19.9 million commitment, as well as all existing letters of credit and some bank commitments, are secured by Obligations issued to the letter of credit banks under the Master Trust Indenture, and Northwell

expects that the additional \$99.1 million of bank commitments will also be secured by Obligations to be issued under the Master Trust Indenture, which Obligations are anticipated to be issued before, or shortly after, September 26, 2019. In that event, the \$291.0 million bank commitments referenced in Note K to the Unaudited Interim Consolidated Financial Statements would increase to \$410.0 million, all of which would be secured by Obligations under the Master Trust Indenture.

See Note 10 of the Audited Consolidated Financial Statements in Appendix B-1 for further information concerning Northwell's professional liability and workers' compensation insurance programs and actuarial estimates relating to loss reserves.

Investment Policy

The Investment Committee of Northwell monitors, in conjunction with its investment consultants and Northwell's Treasury Department, the investment performance of and provides the investment guidelines and investment policy for substantially all of Northwell's operating funds, retirement plans (including the Cash Balance Plan), self-insurance and other management designated funds, Regional Insurance Company Ltd. (Northwell's offshore captive malpractice insurance provider) and endowment funds. Independent firms manage investment of all funds under the guidelines established by the Investment Committee. The Investment Committee, comprised of investment professionals, is a subcommittee of the Finance Committee, which reports to the Board of Trustees. The Investment Committee regularly reviews the asset allocation of these funds in relation to the cash flow requirements of the funds and reviews the performance of each professional investment manager compared against an appropriate benchmark index. The goal of the portfolio design, which is based on asset liability studies, is to generate adequate yield while minimizing risk and volatility for the portfolios' time horizons.

As of June 30, 2019, the target asset allocation (including operating cash) for the operating fund, the self-insurance and other management designated funds and Regional Insurance Company Ltd. was 5% cash, 45.15% public fixed income, 37.6% public equity, and 12.25% funds of hedge funds. The target asset allocation for the self-insurance funds was recently changed in July 2019 to 0.3% cash, 27.7% public fixed income, 41% public equity and 31% alternative investments (including 14% funds of hedge funds, 12% private equity/private real estate, and 5% private credit).

As of June 30, 2019, the Northwell endowment's long term target asset allocation was 0.25% cash, 17.75% public fixed income, 41% public equity, 41% alternative investments (including 16% funds of hedge funds, 24% private equity/private real estate, and 1% private credit).

Northwell's retirement plans are monitored for compliance with ERISA. The asset allocation targets for Northwell's Cash Balance Plan are intended to reflect the plan's liability characteristics. As of June 30, 2019, the long term target asset allocation for the Cash Balance Plan is 1% cash, 32.9% public fixed income, 24.5% public equity, 41.6% alternative investments (including 16% funds of hedge funds, 24% private equity/private real estate, and 1.6% private credit).

Health Insurance Companies

North Shore LIJ Health Plan, Inc. ("Health Plan") a tax-exempt health insurance entity authorized by NYSDOH to operate a Medicaid Managed Long Term Care ("MLTC") plan, began providing coverage to MLTC members in November 2013. In July 2017, Health Plan filed a termination plan and ceased enrolling new members. Pursuant to the termination plan, Health Plan transitioned all members to other plans, and as of January 31, 2018 had no enrolled members.

CareConnect Insurance Company, Inc. ("CareConnect"), a for-profit entity licensed under Article 42 of the New York State Insurance Law, began providing coverage to members both on and off the New

York State exchange on January 1, 2014. In August 2017, Northwell announced that it would wind down CareConnect and withdraw from New York State's insurance markets. As of October 31, 2018 CareConnect had no enrolled members.

Refer to the Audited Consolidated Financial Statements in Appendix B-1, as well as "Northwell" and "Management's Discussion and Analysis of Recent Financial Performance" herein for more information on the "Health Insurance Companies," as Health Plan and CareConnect are collectively referred to.

Future Capital Expenditures and Strategic Investments

Northwell currently plans for capital improvements and strategic investments on a two-year basis with periodic updates. Northwell's current plan covers the 2019–2020 period and anticipates aggregate expenditures of \$1.7 billion over that time period for new and replacement equipment, information technology, major capital projects and investments in joint ventures and other strategic initiatives. Capital expenditures equate to approximately 156% of Northwell's projected depreciation over the 2019–2020 period. It is currently anticipated that total planned investments will be funded approximately 36% from operations, 9% from donations and grants, and 55% from debt, including the proceeds of the Bonds and unexpended funds from other outstanding debt. Management continually monitors the allocation of capital to projects in light of both operational and strategic priorities.

Northwell may continue its practice of bridging donor-funded projects with committed bank revolving credits and using leases primarily for equipment subject to rapidly changing technology and for securing space in locations outside of its owned facilities. See "Management's Discussion and Analysis of Recent Financial Performance" herein for a discussion of annual capital expenditures.

Management may explore certain tax-exempt and taxable financing opportunities in the future to the extent such financings are permissible under the additional indebtedness restrictions set forth in the Master Trust Indenture. See "Appendix F – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE" for information regarding limitations on the Obligated Group's ability to incur additional indebtedness.

Management routinely monitors the commencement of capital projects, and the aggregate level of expenditures, mix of funding sources and issuance of new debt may change based on market conditions and other relevant factors. Management anticipates making the full range of capital investments described above only if funds available from donations and cash generated from operations are sufficient to support such expenditures or debt is incurred to finance those expenditures.

Regulatory Reviews, Audits, Litigation and Investigations

Northwell, similar to other health care institutions, is subject to regulatory review, audits and investigations of its governmental payments, as well as to general litigation pertaining to various issues. Northwell also conducts regular internal audits of its claims for payments, some of which may result in voluntary disclosures and repayments. In the last several years the federal and state governments have devoted significant resources to the auditing of claims of health care providers, including hospitals. The recoveries from these audits can be significant and are often based on a small sample size with the results extrapolated to a universe of all paid claims in the audit period.

In August 2015, Northwell received requests for documents from two law enforcement agencies and a court-appointed examiner focusing on gifts made to it by a Long Island-based charitable foundation and its court-appointed receiver (the "Receiver"). More specifically, Northwell received document requests from: (i) the New York Attorney General's Office; (ii) the United States Attorney's Office for the Eastern

District of New York; and (iii) an examiner appointed by the Surrogate's Court to investigate the Receiver's conduct. Northwell has cooperated fully in these inquiries and produced documents in response to the requests. Northwell management understands that neither Northwell nor any of its employees is currently a subject or target of these investigations. Northwell has not received any communication from either of the law enforcement agencies or the court-appointed examiner in over a year.

In September 2015, SIUH made a self-disclosure to the New York State Office of the Medicaid Inspector General ("OMIG") relating to certain documentation issues at one of its laboratory patient service centers. OMIG has informed Northwell that it has received the self-disclosure.

In October 2017, Northwell made a self-disclosure to the Office of Inspector General for the United States Department of Health and Human Services ("OIG-HHS") relating to overpayments that it determined it had received on the basis of certain physician-office evaluation and management services performed by one of its formerly employed physicians that were billed at a level not supported by the available medical record documentation. OIG-HHS has notified Northwell that its submission was accepted into OIG-HHS's self-disclosure protocol.

In December 2017, the United States Attorney's Office for the District of New Jersey ("USAO NJ") issued a subpoena to a Northwell affiliated medical group and three of Northwell's employed physicians seeking documents relating to a particular pharmaceutical company and a drug manufactured by that company. Northwell responded to that subpoena by producing documents in February and March 2018. Northwell has not received any further communications from the USAO NJ regarding this matter since February 9, 2018.

Northwell received two Civil Investigative Demands ("CIDs"), the first in March 2018 and the second in August 2018, from the United States Attorney's Office for the Southern District of New York. The CIDs primarily focus on the surgical practices of one of Northwell's formerly employed surgeons, the residency program associated with those procedures, and the terms of the employment of the surgeon. Northwell has made substantial productions of documents responsive to both CIDs.

In December 2018, Northwell made a self-disclosure to OIG-HHS related to overpayments that it determined it had received for claims for certain evaluation and management services performed over a limited period of time by emergency physicians at six of its hospitals that were billed at a level not supported by the available medical record documentation. OIG-HHS has notified Northwell that its submission was accepted into OIG-HHS's self-disclosure protocol. In August 2019, Northwell supplemented this self-disclosure after it determined that it had received similar overpayments related to certain emergency evaluation and management services from the same hospitals during a different period. In addition, the August 2019 supplemental disclosure identified a limited number of overpayments Northwell received related to a discrete set of claims related to internal medicine, radiation oncology, and urology services. OIG-HHS has notified Northwell that it has received Northwell's supplemental disclosure.

Northwell is in the process of responding to a Statement of Deficiencies and Notice of Termination issued by the U.S. Centers for Medicare and Medicaid Services ("CMS") related to LIJMC. The deficiencies relate primarily to the condition of participation for infection control. Consistent with its authority, CMS has established a timeline for LIJMC's termination from federal health care programs (November 25, 2019), which termination would be rescinded upon acceptance of Northwell's Plan of Correction and successful completion of a follow-up survey. In the event that LIJMC were to be terminated from federal health care programs (such as Medicare), there would be a material adverse effect on Northwell's operations and revenues. Northwell has submitted a Plan of Correction, which Northwell management believes satisfies the deficiencies identified by CMS. Pending resolution of this matter, day-to-day operations at LIJMC and reimbursement from federal health care programs and other payers remain unchanged.

The ultimate effect, if any, of the matters described above on Northwell or on the Obligated Group cannot currently be determined. Adverse resolution of any of the above reviews, audits, investigations or litigation could have a material adverse effect on the financial position or results of operations of Northwell and the Obligated Group.

Other Litigation

Various claimants have asserted professional malpractice liability claims against Northwell. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management of Northwell or by counsel to the respective insurance companies handling such matters. It is the opinion of management and the actuarial firm retained by Northwell, based on prior experience, that adequate insurance and/or self-insurance reserves are maintained to provide for all routine professional malpractice liability losses which may arise.

Northwell is also a defendant in various commercial and other actions. Although the outcome of any such claim or action or any pending or threatened claim of which Northwell has knowledge cannot be currently determined, management is of the opinion that the eventual liability therefrom, if any, will not have a material adverse effect on the financial position or results of operations of the Members of the Obligated Group or on their ability to make required debt service payments.

Governance

The board of trustees of each member of Northwell is comprised of substantially identical membership, with the exception of HH, which has a separate governing body. HH has a Board of Directors with a composition separate from the other Members of the Obligated Group, but the directors of HH are elected by and can be removed by HCI.

Each Member of the Obligated Group is a separate New York not-for-profit corporation governed by its own Board of Trustees (Board of Directors for HH). The Chief Executive Officer of NHI is a member of the Board of each Member of the Obligated Group.

The following is a list of the members of the Boards of Trustees of NHI, HCI and each Member of the Obligated Group (excluding HH), including their business affiliations/occupations, as of June 30, 2019.

Trustees	Affiliation/Occupation
Frank J. Besignano	Retired Businessman
Roger A. Blumencranz	President, BWD Group LLC
Michael Caridi	Managing Director, VG Enterprises Management Group
Mark L. Claster	President, Carl Marks & Co, Inc.
Michael J. Dowling	President and CEO, Northwell
Michael A. Epstein, Chairman	Partner, Weil, Gotshal & Manges, LLP
Michael E. Feldman	Retired Partner, Proskauer Rose LLP
Michael G. Fisch	CEO, American Securities LLC
Catherine C. Foster	Retired, Former Senior Executive, American Express
L. Keith Friedlander	Managing Director, Acrisure, LLC
Lloyd M. Goldman	President, BLDG Management Company
Richard D. Goldstein	Chairman and CEO, AEP Capital LLC
Alan I. Greene	Managing Director, The Greene Group, Neuberger Berman Investment Advisors, LLC
Paul B. Guenther	Retired, Former President, PaineWebber Group, Inc.

Trustees

Saul B. Katz
Cary Kravet
Jeffrey B. Lane
Seth B. Lipsay
William L. Mack

F.J. McCarthy
Patrick F. McDermott
Ralph A. Nappi
Richard B. Nye
Sharon Patterson
Lewis S. Ranieri

Robert D. Rosenthal
Barry Rubenstein
Michael I. Schwartz

Leo Sternlicht
Kenneth Taber
Donald Zucker
Roy J. Zuckerberg

Affiliation/Occupation

President and COO, Sterling Equities, Inc.
President, Kravet, Inc.
Partner, YorkBridge Wealth Partners
Executive Managing Director, New World Realty Advisors LLC
Chairman and Founder, Mack Real Estate Group;
President, The Mack Company
President, Site Selection Advisory Group, Inc.
Partner, McDermott & Thomas Associates
Executive Vice Chairman, Board of Trustees, Northwell
President, Baker Nye Advisers
Real Estate Broker, Edwin Fishel Tuccio Real Estate
Chairman and CEO, Ranieri & Co., Inc.;
Founder and Chairman, Ranieri Partners Management, LLC
Chairman and CEO, First Long Island Investors, LLC
Managing Partner, Wheatley Partners
Retired, Former Principal and Portfolio Manager, Taconic Capital
Advisors LP
President, Riverhead Ford, Lincoln, Buick, GMC
Partner, Pillsbury Winthrop Shaw Pittman, LLP
Chairman of the Board, Donald Zucker Company
Senior Director, Goldman Sachs Group, Inc.

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Executive Management

Biographies of the senior executive staff of NHI, HCI and the Members of the Obligated Group (other than HH) follow below. For purposes of these biographies, references to the Members of the Obligated Group do not include HH unless expressly stated otherwise. HH has an executive staff different from that of the other Members of the Obligated Group, although the HH executive staff has a direct reporting relationship to the executive staff of NHI, and the NHI Chief Financial Officer and Chief General Counsel serve in similar positions at HH.

Michael J. Dowling, age 69, *President, Chief Executive Officer and Board Member of NHI, HCI, and of each Member of the Obligated Group*. Prior to becoming President and CEO in 2002, Mr. Dowling was the health system's Executive Vice President and Chief Operating Officer. Before joining Northwell in 1995, he was a Senior Vice President at Empire Blue Cross/Blue Shield.

Mr. Dowling served in New York State government for 12 years, including seven years as State director of Health, Education and Human Services and deputy secretary to the governor. He was also commissioner of the New York State Department of Social Services.

Before his public service career, Mr. Dowling was a professor of social policy and an assistant dean at the Fordham University Graduate School of Social Services, and director of the Fordham campus in Westchester County.

Mr. Dowling has been honored with many awards over the years. They include: his selection as the Grand Marshal of the 2017 St. Patrick's Day Parade in New York City, induction into the *Irish America* Hall of Fame, the 2012 B'nai B'rith National Healthcare Award, the 2011 Gail L. Warden Leadership Excellence Award from the National Center for Healthcare Leadership, the 2011 CEO Information Technology Award from *Modern Healthcare* magazine and the Healthcare Information and Management Systems Society, the National Human Relations Award from the American Jewish Committee, the Ellis Island Medal of Honor, the Distinguished Public Service Award from the State University of New York's Nelson A. Rockefeller College of Public Affairs and Policy, an Outstanding Public Service Award from the Mental Health Association of New York State, an Outstanding Public Service Award from the Mental Health Association of Nassau County, the Alfred E. Smith Award from the American Society for Public Administration, and the Gold Medal from the American Irish Historical Society. For 10 consecutive years, *Modern Healthcare* has ranked Mr. Dowling on its annual list of the "100 Most Powerful People in Healthcare." In March 2016, Mr. Dowling was also listed number one on the Long Island Press 2015 "Power List" recognizing the 50 most-influential Long Islanders.

Mr. Dowling is chair of the Healthcare Institute and the Institute for Healthcare Improvement. He is a member of the Institute of Medicine of the National Academies of Sciences and the North American Board of the Smurfit School of Business at University College, Dublin, Ireland. He also serves as a board member of the Long Island Association and BankUnited, Inc. He is past chair and a current board member of the National Center for Healthcare Leadership, the Greater New York Hospital Association, the Healthcare Association of New York State ("HANYS") and the League of Voluntary Hospitals of New York. Mr. Dowling was an instructor at the Center for Continuing Professional Education at the Harvard School of Public Health.

Mr. Dowling grew up in County Limerick, Ireland. He earned his undergraduate degree from University College, Cork, Ireland, and his Master's Degree from Fordham University. He also has honorary doctorates from University College, Dublin, Hofstra University, Dowling College, Fordham University, and Queens University Belfast.

Lawrence G. Smith, MD, age 69, *Executive Vice President and Physician-in-Chief of NHI, HCI and of each Member of the Obligated Group as well as Dean of the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell*. Dr. Smith joined Northwell in May 2005 as Chief Academic Officer and Senior Vice President of Academic Affairs to oversee Northwell's graduate medical education and medical student education programs, as well as academic faculty appointments. He was appointed Senior Vice President and Chief Medical Officer in September 2006, promoted to Executive Vice President in January 2010 and in January 2011 to Physician-in-Chief. As Physician-in-Chief, Dr. Smith is Northwell's senior physician for all clinical issues.

In March 2008, Dr. Smith was appointed to be the founding Dean of the School of Medicine. As the School of Medicine's first Dean, Dr. Smith worked closely with academic leaders in shaping the educational framework at the school, including the development of a curriculum, the selection of faculty, and maintaining its accreditation. Northwell management believes that his combined roles as Dean and Physician-in-Chief have contributed to the successful alignment of the clinical and educational missions at Northwell.

Mark J. Solazzo, age 61, *Executive Vice President and Chief Operating Officer of NHI, HCI and of each Member of the Obligated Group*. Prior to his appointment as Chief Operating Officer in 2005, Mr. Solazzo served as Chief of Staff and Chief Administrative Officer to Northwell's President and CEO. In that position, he worked with senior leadership to successfully implement Northwell's strategic objectives, providing management oversight for the development of cost-effective and integrated programs to ensure the operational and strategic success of the organization. He was also accountable for government relations, and managed Northwell's emergency preparedness efforts and special projects for the Center for Emergency Medical Services and other core divisions.

Before joining Northwell in 1995, Mr. Solazzo held a number of senior-level positions within the New York State Department of Social Services ("DSS"), where he oversaw health and social services issues for 15 years. During his tenure there, he was responsible for the state's Child Assistance Program which earned him Harvard University's Innovations in Government Award. Mr. Solazzo culminated his work at DSS as director of the Bureau of Management and Administrative Support.

Mr. Solazzo is a member of the American College of Healthcare Executives, HANYS Solutions Board of Directors, Healthcare Institute, Inc., The Health Management Academy, The Academy Huron Institute as Committee Chair, and the Healthcare Association of New York State and is a Knight of the Sacred Military Constantinian Order of St. George.

Mr. Solazzo earned an undergraduate degree from Fordham University, studied at Albany Medical College, and received an MBA with a specialization in health systems management from Union College, Schenectady, NY.

Michele L. Cusack, age 47, *Senior Vice President and Chief Financial Officer*. Ms. Cusack joined Northwell in 1996 and became Senior Vice President and Chief Financial Officer in 2018. Ms. Cusack has responsibility for and oversight of various corporate financial operations including financial reporting, budgeting, cash management, tax management, risk management and other financial functions that collaborate with revenue cycle, managed care and operational teams across the organization to achieve the strategic goals of the organization. She serves as management liaison to the Finance and Audit Committees of the Board of Trustees and is a member of the Dean's Advisory Board of the Hofstra University Frank G. Zarb School of Business and Board Member for the Girl Scouts of Nassau County. She also serves as a New York State delegate to the Regional Policy Board 2 of the American Hospital Association. Ms. Cusack is a Certified Public Accountant and earned Master of Business Administration and Bachelor of Business

Administration degrees from Hofstra University. Prior to joining Northwell, she worked at Deloitte & Touche LLP.

Richard T. Miller, age 59, *Executive Vice President, Chief Business Strategy Officer*. Mr. Miller is responsible for oversight of finance, revenue cycle, and revenue integrity functions.

Mr. Miller serves as Chairman of the Northwell Health Plans Holding Company and serves on external boards and advisory committees of other entities, including the Nassau Queens Performing Provider System, Optum360, and Healthfirst Finance Committee.

Mr. Miller joined Northwell in 2008 as Vice President, Financial Planning and served as Senior Vice President, Deputy Chief Financial Officer before assuming his current position in 2018. Prior to Northwell Health, he served as the Chief Financial Officer for NYU Hospitals Center from 2001 to 2008 and prior to that was Vice President, Finance for NYU Hospitals Center and the Hospital for Joint Diseases. Mr. Miller has an MBA from the Stern School of Business of New York University and a BBA from Bernard Baruch College. He has served on the faculty of St. Joseph's College, New York, where he taught a graduate course on Health Care Finance.

Joseph Moscola, age 41, *Senior Vice President and Chief People Officer*. Mr. Moscola joined Northwell in 2003 where he began his career as a physician assistant in cardiothoracic surgery. He later transitioned to an administrative career, serving as administrative director for neuroscience at SH, and then senior administrative director of neurology and neurosurgery at LIJMC. He most previously served as Senior Vice President and Executive Director of Ambulatory Operations where he oversaw the \$1.1 billion ambulatory operation, working with clinical and administrative service line leadership, Northwell Health Physician Partners and clinical joint ventures.

Holding a bachelor's degree from St. John's University, Mr. Moscola earned an MBA from Adelphi University and a physician assistant certificate from Catholic Medical Centers-Bayley Seton Campus and is a graduated Fellow of the Health Management Academy.

Mr. Moscola also serves on the Board of Directors for Farmingdale College and Nassau Community College and is a Trustee of the 1199 Pension Fund serving employees for the New York region.

Howard B. Gold, age 68, *Executive Vice President and Chief Managed Care Officer*. Mr. Gold oversees all business matters related to managed care and business development, including contractual relationships with third-party payers. Prior to joining Northwell in 1995, he was vice president-vice provost for strategic planning at The New York Hospital-Cornell Medical Center.

From 1991 to 1993, Mr. Gold was executive director of Governor Cuomo's Health Care Advisory Board. Prior to that, he held several positions with the New York State Office of Mental Retardation and Development Disabilities, culminating in his serving as deputy commissioner, office of policy and planning.

Mr. Gold received his Bachelor of Arts degree from the State University of New York at Buffalo and his master's degree from the New School for Social Research.

David L. Battinelli, MD, age 62, *Senior Vice President & Chief Medical Officer*. Dr. Battinelli is responsible for the overall professional management of clinical, education, research and operational issues related to medical and clinical affairs. Previously, he served as Northwell's chief academic officer and senior vice president of academic affairs, in charge of all undergraduate and graduate educational programs, all continuing medical education, and academic affairs and institutional relationships.

Dr. Battinelli is Vice Dean for Education and the Betsy Cushing Whitney Professor of Medicine at the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell.

A board-certified internist, Dr. Battinelli came to Northwell from Boston Medical Center (“BMC”) where he served as vice chairman for education, program director, internal medicine residency program and professor of medicine at Boston University School of Medicine. He was also an active staff physician at BMC and the Boston Veterans Administration.

Dr. Battinelli is a past-president of the Association of Program Directors in Internal Medicine. He has worked closely with and served on numerous committees for a variety of national medical organizations including the Alliance for Academic Internal Medicine, American Board of Internal Medicine, American College of Physicians, and the Accreditation Committee on Graduate Medical Education, among others. In addition, he has lectured extensively on clinical education, faculty development of teaching skills and internal medicine, and is a noted workshop leader and author on these subjects.

Dr. Battinelli earned his medical degree from the University of Medicine and Dentistry, Newark, NJ, and a Bachelor of Science degree from the University of Scranton, Scranton, PA.

Laurence Kraemer, JD, LLM, age 63, *Senior Vice President, Chief General Counsel*. Mr. Kraemer became Interim Chief Legal Officer in August 2017. He has been with the Northwell Legal Affairs Department for the past ten years, where he has led the corporate, mergers and acquisitions, physician transactions and tax teams. He came to Northwell from Deloitte & Touche, where he led the Deloitte Northeast Healthcare, Colleges and Universities and Exempt Organizations Tax Practice. He began his legal career as an associate at Hayt, Hayt & Landau, in Great Neck, New York.

Mr. Kraemer received a law degree from Boston University School of Law, an LL.M. from the New York University School of Law and a bachelor’s degree from Rutgers College.

Jeffrey A. Kraut, age 62, *Executive Vice President, Strategy and Analytics of HCI, NHI and of each Member of the Obligated Group*. Mr. Kraut is responsible for coordinating the strategic planning activities of Northwell, as well as the development of its network of providers through merger, acquisition or affiliated relationships and organizing the next generation of business and clinical analytics throughout Northwell. He also serves as Associate Dean for Strategic Planning in the School of Medicine. Prior to the merger of NSHS and LIJMC, Mr. Kraut served as the LIJMC Vice President for Strategic Planning. Mr. Kraut joined LIJMC in 1994.

Mr. Kraut was formerly the Vice President for Planning and Policy at the SUNY Health Sciences Center at Brooklyn (Downstate Medical Center) and served as a manager of the Health Care Strategy Development Group at KPMG Peat Marwick and as Vice President at RMR Health Management Consultants, Inc.

Mr. Kraut has focused on regional planning and policy development, promoting the interoperability and sharing of health data and incubating innovation opportunities through strategic partnerships. Mr. Kraut serves as Chair of the Public Health and Health Planning Council which oversees public health, health planning, regulatory and Certificate of Need activities in New York State. He has previously served as member of the Long Island Regional Advisory Committee of the New York State Commission on Health Care Facilities in the 21st Century.

Mr. Kraut is a board member of the New York eHealth Collaborative, the entity responsible to coordinate the development of the NYS Health Information Network and served as vice chair of Healthix, New York’s largest regional health information organization. He has also served as a board member of the

American Hospital Association's Society for Healthcare Strategy and Market Development where he is the 2017 recipient of its Leadership Excellence Award. He is a Fellow of the New York Academy of Medicine, serves on the Standards Council of the Commission on Accreditation on Healthcare Management Education and is a board member of the Nassau-Suffolk Hospital Council.

Mr. Kraut is also involved in regional economic development and community building activities as a board member of the Long Island Regional Planning Council and The Brookville Center for Children Services where he serves as its President. Mr. Kraut also serves as a health policy advisor to the Long Island Index and ERASE Racism and is a member of the Energeia Partnership which is dedicated to achieving social equity through regional private/public partnerships.

Mr. Kraut received a Master of Business Administration from the Baruch College - Mount Sinai School of Medicine of the City University of New York. He received his Bachelor of Arts degree from SUNY Stony Brook.

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Utilization Statistics and Payer Mix

As Northwell's continuing disclosure obligations in connection with its outstanding bonds require disclosure of utilization statistics and payer mix information on an Obligated Group basis, the following information is presented for the Members of the Obligated Group only.

Utilization Statistics for the Obligated Group

	Year Ended December 31,			Six Months Ended June 30,	
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
<u>Inpatient</u>					
Discharges (excl. Nursery)	254,672	255,594	257,983	128,561	130,419
Patient Days (excl. Nursery)	1,423,473	1,429,236	1,443,183	719,669	730,086
Average Length of Stay (in Days)	5.59	5.59	5.59	5.60	5.60
Average Daily Census	3,889	3,916	3,954	3,976	4,034
Licensed Beds (excl. Nursery)	5,412	5,291	5,260	5,272	5,260
Beds Available (excl. Nursery) ⁽¹⁾	4,461	4,454	4,442	4,451	4,492
Occupancy Percentage ⁽¹⁾	86.6%	87.4%	89.0%	89.3%	90.1%
Normal Newborn Discharges	25,906	25,713	25,796	12,557	12,120
Total Discharges	280,578	281,307	283,779	141,118	142,539
<u>Outpatient</u>					
Emergency Room Visits ⁽²⁾	562,743	563,732	571,651	285,838	283,137
Emergency Room Admissions ⁽²⁾	165,510	165,456	168,329	83,873	84,998
Total ER Encounters	728,253	729,188	739,980	369,711	368,135
Health Center Visits ⁽³⁾	861,321	835,009	805,432	401,760	405,357
Ambulatory Surgery Visits ⁽⁴⁾	141,895	139,889	139,761	70,302	70,861
Home Care Admissions ⁽⁵⁾	37,068	42,209	46,458	23,483	23,862
Other Outpatient Visits and Encounters	1,217,257	1,246,573	1,265,994	624,742	652,212

(1) Beds Available, which vary primarily based upon need, are reported as the number of beds at the end of each reporting period. Occupancy Percentage is calculated using the average beds available for the reporting period.

(2) Includes observation room.

(3) The decline in Health Center Visits from 2016 is partially due to an increase in urgent care visits at Northwell's expanding joint venture in GoHealth Urgent Care Centers that is outside the Obligated Group.

(4) The slight decline in Ambulatory Surgery Visits from 2016 is primarily due to the shift in cases to Northwell's joint venture ambulatory surgery centers that are outside the Obligated Group, which was done to create capacity in hospital operating rooms for inpatient specialty surgical growth.

(5) Certain revisions were made to the 2017 and June 2018 Home Care Admissions previously reported in prior continuing disclosure reports to conform to the 2019 presentation.

Payer Mix for the Obligated Group

Based on Percent of Gross Revenue (Inpatient and Outpatient)

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Medicare ⁽¹⁾	42%	43%	44%
Medicaid ⁽²⁾	21%	21%	21%
Commercial	31%	30%	30%
Self Pay	2%	2%	2%
Other	4%	4%	3%
Total	100%	100%	100%

(1) Includes Medicare Managed Care.

(2) Includes Medicaid Managed Care.

Consolidated Statements of Operations

The following consolidated statements of operations for the years ended December 31, 2016, 2017 and 2018 have been derived from the consolidated financial statements of Northwell, which have been audited by Ernst & Young LLP. The financial data for the six months ended June 30, 2018 and 2019 are derived from unaudited interim consolidated financial statements. The unaudited interim consolidated financial statements include all adjustments, consisting of normal recurring accruals, which Northwell considers necessary for a fair presentation of the results of operations for these periods. Operating results for the six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2019. The December 31, 2017 and 2018 data should be read in conjunction with the Audited Consolidated Financial Statements included in Appendix B-1 to this Official Statement and “Management’s Discussion and Analysis of Recent Financial Performance” herein. The June 30, 2018 and 2019 data should be read in conjunction with the Audited Consolidated Financial Statements included in Appendix B-1 to this Official Statement, the Unaudited Interim Consolidated Financial Statements included as Appendix B-2 to this Official Statement and “Management’s Discussion and Analysis of Recent Financial Performance” herein. **The following consolidated statements of operations include results from the operations of the Other Northwell Entities. The Other Northwell Entities are not Members of the Obligated Group and, therefore, are neither obligated under the Master Trust Indenture nor responsible for payment of the debt service on the Bonds.**

As further discussed in Note 1 to the Audited Consolidated Financial Statements included in Appendix B-1, Note D to the Unaudited Interim Consolidated Financial Statements included in Appendix B-2 and “Management’s Discussion and Analysis of Recent Financial Performance”, Northwell acquired Mather on January 1, 2018. Accordingly, in accordance with U.S. generally accepted accounting principles, the accompanying consolidated statements of operations for periods after the date of acquisition (but not the prior periods) include the results of operations of Mather from the acquisition date.

In 2018, Northwell adopted Accounting Standards Update No. (“ASU”) 2014-09, *Revenue from Contracts with Customers*. In accordance with ASU 2014-09, certain patient activity previously reported as net patient service revenue, physician practice revenue and the provision for bad debts no longer meets the criteria for revenue recognition. As a result, such patient activity (representing approximately \$120,000, \$122,000 and \$113,000 for the years ended December 31, 2018, 2017 and 2016, respectively) is now classified as an implicit price concession reducing net patient service revenue and physician practice revenue, and also significantly reducing the provision for bad debts, which is now classified within the

supplies and expenses line of the consolidated statements of operations. The 2017 and 2016 amounts have been reclassified from amounts previously reported to conform to the 2018 presentation. As a result of this financial statement reclassification, certain financial ratios previously reported in Management's Discussion and Analysis of Recent Financial Performance for the Series 2017A bond issue and prior continuing disclosure reports have also been revised to conform to the current presentation. Refer to Notes 2 and 3 to the Audited Consolidated Financial Statements included in Appendix B-1 for additional information.

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Northwell
Consolidated Statements of Operations
(In Thousands)

	Audited			Unaudited	
	2016	2017	2018	2018	2019
Operating revenue:					
Net patient service revenue	\$7,535,821	\$7,784,115	\$8,762,122	\$4,257,785	\$4,610,665
Physician practice revenue	1,259,574	1,471,198	1,854,861	907,770	1,007,300
Total patient revenue	<u>8,795,395</u>	<u>9,255,313</u>	<u>10,616,983</u>	<u>5,165,555</u>	<u>5,617,965</u>
Other operating revenue	538,690	653,082	826,999	366,181	404,591
Net assets released from restrictions used for operations	55,469	61,375	63,021	32,619	33,712
	<u>9,389,554</u>	<u>9,969,770</u>	<u>11,507,003</u>	<u>5,564,355</u>	<u>6,056,268</u>
Operating expenses:					
Salaries	4,720,172	5,212,002	5,851,950	2,845,516	3,111,744
Employee benefits	1,163,503	1,230,621	1,347,618	684,046	729,847
Supplies and expenses	2,676,747	2,841,508	3,530,160	1,663,657	1,817,638
Depreciation and amortization	410,229	431,497	474,509	246,617	256,150
Interest	115,231	129,509	146,660	71,656	71,017
	<u>9,085,882</u>	<u>9,845,137</u>	<u>11,350,897</u>	<u>5,511,492</u>	<u>5,986,396</u>
Excess of operating revenue over operating expenses, excluding Health Insurance Companies	<u>303,672</u>	<u>124,633</u>	<u>156,106</u>	<u>52,863</u>	<u>69,872</u>
Health Insurance Companies operating revenue	555,872	828,077	58,909	75,458	1,463
Health Insurance Companies operating expenses	723,873	971,447	80,620	75,458	1,463
Health Insurance Companies excess of operating expenses over operating revenue	(168,001)	(143,370)	(21,711)	-	-
Total excess (deficiency) of operating revenue over operating expenses	<u>135,671</u>	<u>(18,737)</u>	<u>134,395</u>	<u>52,863</u>	<u>69,872</u>
Non-operating gains and losses:					
Investment income	67,680	109,051	130,096	69,091	64,337
Change in net unrealized gains and losses and change in value of equity method investments	117,864	281,520	(328,931)	(65,822)	288,218
Change in fair value of interest rate swap agreements designated as derivative instruments	190	-	433	590	(542)
Non-operating net periodic benefit cost	(39,804)	(27,863)	(12,862)	(10,073)	(8,546)
Loss on refunding of long-term debt	-	(42,619)	-	-	-
Contributions received in the acquisitions of Peconic (2016) and Mather (2018)	36,343	-	75,819	75,819	-
Gain on sale of property	-	-	65,723	64,178	-
Other non-operating gains and losses	24,690	(7,107)	(41,779)	(8,270)	(20,325)
Total non-operating gains and losses	<u>206,963</u>	<u>312,982</u>	<u>(111,501)</u>	<u>125,513</u>	<u>323,142</u>
Excess of revenue and gains and losses over expenses	342,634	294,245	22,894	178,376	393,014

Consolidated Statements of Financial Position

The following consolidated statements of financial position of Northwell as of December 31, 2016, 2017 and 2018 have been derived from the consolidated financial statements of Northwell, which have been audited by Ernst & Young LLP. The financial data as of June 30, 2019 is derived from the Unaudited Interim Consolidated Financial Statements. The Unaudited Interim Consolidated Financial Statements include all adjustments, consisting of normal recurring accruals, which Northwell considers necessary for a fair presentation of its financial position. The December 31, 2017 and 2018 data should be read in conjunction with the Audited Consolidated Financial Statements included in Appendix B-1 to this Official Statement and “Management’s Discussion and Analysis of Recent Financial Performance” herein. The June 30, 2019 data should be read in conjunction with the Audited Consolidated Financial Statements included in Appendix B-1 to this Official Statement, the Unaudited Interim Consolidated Financial Statements included as Appendix B-2 to this Official Statement and “Management’s Discussion and Analysis of Recent Financial Performance” herein. **The following consolidated statements of financial position include the financial position of the Other Northwell Entities. The Other Northwell Entities are not Members of the Obligated Group and, therefore, are neither obligated under the Master Trust Indenture nor responsible for payment of the debt service on the Bonds.**

Effective January 1, 2019, Northwell adopted ASU 2016-02, *Leases*, which requires the rights and obligations arising from lease contracts to be recognized as assets and liabilities in the statement of financial position for both finance leases (formerly capital leases) and operating leases. Northwell adopted ASU 2016-02 following the modified retrospective method of application. As such, the prior period consolidated financial statement amounts and disclosures have not been adjusted to reflect the provisions of the new standard. The most significant impact of the adoption of ASU 2016-02 is the recognition of right-of-use assets and obligations pertaining to operating leases, as well as enhanced disclosures related to leases. The accounting for finance leases remains substantially unchanged as a result of adoption. Refer to Note C and Note J to the Unaudited Interim Consolidated Financial Statements in Appendix B-2 for additional information.

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Northwell
Consolidated Statements of Financial Position

(In Thousands)

	Audited December 31, <u>2016</u>	Audited December 31, <u>2017</u>	Audited December 31, <u>2018</u>	Unaudited June 30, <u>2019</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 383,295	\$ 399,856	\$ 538,964	\$ 567,969
Short-term investments	2,464,366	2,689,489	2,581,695	2,717,280
Accounts receivable for services to patients, net	975,423	1,094,584	1,130,325	1,188,029
Accounts receivable for physician activities, net	127,718	149,504	205,422	225,478
Pledges receivable, current portion	46,197	63,459	67,590	42,893
Insurance claims receivable, current portion	71,014	78,468	54,877	54,877
Other current assets	269,472	288,197	326,685	390,277
Total current assets	<u>4,337,485</u>	<u>4,763,557</u>	<u>4,905,558</u>	<u>5,186,803</u>
Long-term investments	1,875,198	2,279,855	2,066,327	2,176,930
Pledges receivable, net of current portion	96,371	126,263	99,146	92,964
Property, plant and equipment, net	4,610,223	4,934,215	5,392,562	5,496,897
Right-of-use assets – operating leases	-	-	-	900,936
Insurance claims receivable, net of current portion	245,967	181,869	182,426	168,412
Other assets	199,020	283,229	390,963	403,158
Total assets	<u>\$ 11,364,264</u>	<u>\$ 12,568,988</u>	<u>\$ 13,036,982</u>	<u>\$ 14,426,100</u>
Liabilities and net assets				
Current liabilities:				
Short-term borrowings	\$ 110,218	\$ 110,608	\$ 103,500	\$ 96,750
Accounts payable and accrued expenses	857,584	998,686	979,100	998,187
Accrued salaries and related benefits	671,594	732,536	891,525	882,006
Current portion of operating lease obligations	-	-	-	118,457
Current portion of finance lease obligations	3,470	3,742	6,720	6,679
Current portion of long-term debt	59,829	48,844	55,469	56,938
Current portion of insurance claims liability	71,014	78,468	54,877	54,877
Current portion of malpractice and other insurance liabilities	123,740	134,488	175,728	175,728
Current portion of estimated payables to third-party payers	320,126	358,518	270,578	294,259
Total current liabilities	<u>2,217,575</u>	<u>2,465,890</u>	<u>2,537,497</u>	<u>2,683,881</u>
Accrued retirement benefits, net of current portion	927,378	948,994	1,041,936	1,050,277
Operating lease obligations, net of current portion	-	-	-	810,180
Finance lease obligations, net of current portion	173,108	171,873	177,449	185,876
Long-term debt, net of current portion	2,680,021	3,220,283	3,199,039	3,153,753
Insurance claims liability, net of current portion	245,967	181,869	182,426	168,412
Malpractice and other insurance liabilities, net of current portion	944,225	1,057,325	1,220,562	1,297,827
Other long-term liabilities	573,464	576,696	694,538	674,883
Total liabilities	<u>7,761,738</u>	<u>8,622,930</u>	<u>9,053,447</u>	<u>10,025,089</u>
Commitments and contingencies				
Net assets:				
Without donor restrictions	3,027,943	3,315,111	3,344,826	3,743,032
With donor restrictions	574,583	630,947	638,709	657,979
Total net assets	<u>3,602,526</u>	<u>3,946,058</u>	<u>3,983,535</u>	<u>4,401,011</u>
Total liabilities and net assets	<u>\$ 11,364,264</u>	<u>\$ 12,568,988</u>	<u>\$ 13,036,982</u>	<u>\$ 14,426,100</u>

Management's Discussion and Analysis of Recent Financial Performance

Management's Discussion and Analysis of Recent Financial Performance contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. 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 such forward-looking statements. Northwell expressly disclaims any obligation or undertaking to issue any updates or revisions to those forward-looking statements if or when their expectations change, or events, conditions or circumstances on which such statements are based occur.

Management's Discussion and Analysis of Recent Financial Performance is based upon the consolidated financial results of Northwell, of which the Members of the Obligated Group represented 82.9% of the total consolidated operating revenue and 84.1% of the total consolidated assets for the year ended and as of December 31, 2018. Accordingly, the discussion below includes the financial results of entities that are not Members of the Obligated Group. Refer to the Audited Consolidated Financial Statements in Appendix B-1 and the Unaudited Interim Consolidated Financial Statements in Appendix B-2 for the consolidating and combining schedules of Northwell and the Obligated Group.

On January 1, 2018, Northwell acquired Mather. Accordingly, the consolidated financial statements include the results of operations of Mather since the acquisition date. Results of operations of Mather for periods prior to the acquisition date are excluded from the consolidated financial statements. The operating revenue of Mather from the acquisition date through December 31, 2018 was \$377 million. Mather is not a Member of the Obligated Group. Refer to Note 1 to the Audited Consolidated Financial Statements in Appendix B-1 for further information.

Also on January 1, 2018, Northwell acquired the assets of Orlin & Cohen Orthopedic Associates, LLP, a large medical group practice consisting of approximately 80 providers in four specialties, operating in multiple locations in Nassau and Suffolk Counties.

In 2018, Northwell adopted ASU 2014-09, *Revenue from Contracts with Customers*. In accordance with ASU 2014-09, certain patient activity previously reported as net patient service revenue, physician practice revenue and the provision for bad debts no longer meets the criteria for revenue recognition. As a result, such patient activity (representing approximately \$120,000, \$122,000 and \$113,000 for the years ended December 31, 2018, 2017 and 2016, respectively) is now classified as an implicit price concession reducing net patient service revenue and physician practice revenue, and also significantly reducing the provision for bad debts, which is now classified within the supplies and expenses line of the consolidated statements of operations. As a result of this financial statement reclassification, certain financial ratios previously reported in Management's Discussion and Analysis of Recent Financial Performance for the Series 2017A bond issue and prior continuing disclosure reports have also been revised to conform to the current presentation. Refer to Notes 2 and 3 to the Audited Consolidated Financial Statements included in Appendix B-1 for additional information.

Effective January 1, 2019, Northwell adopted ASU 2016-02, *Leases*, which requires the rights and obligations arising from lease contracts to be recognized as assets and liabilities in the statement of financial position for both finance leases (formerly capital leases) and operating leases. The most significant impact of the adoption of ASU 2016-02 is the recognition of right-of-use assets and obligations pertaining to operating leases, as well as enhanced disclosures related to leases. The accounting for finance leases

remains substantially unchanged as a result of adoption. Refer to Notes C and J to the Unaudited Interim Consolidated Financial Statements in Appendix B-2 for additional information.

As further discussed under “*Operations of the Health Insurance Companies*” herein, in 2017 Northwell announced plans to wind down the operations of CareConnect and Health Plan and withdraw from New York State’s insurance markets. As a result of this decision to exit the health insurance business, the net operating results of the Health Insurance Companies are separately reported within the consolidated statements of operations for the years ended December 31, 2018 and 2017 in the Audited Consolidated Financial Statements in Appendix B-1 and six months ended June 30, 2019 and 2018 in the Unaudited Interim Consolidated Financial Statements in Appendix B-2, below the operating results from Northwell’s continuing operations. As a result of this financial statement reclassification, certain financial information previously reported in Management’s Discussion and Analysis of Recent Financial Performance for the Series 2017A bond issue and prior continuing disclosure reports have also been revised to conform to the current presentation. Refer to Note 1 to the Audited Consolidated Financial Statements in Appendix B-1 and Note E to the Unaudited Interim Consolidated Financial Statements in Appendix B-2 for additional information.

Introduction

For the year ended December 31, 2018, Northwell’s total operating income^[a] and operating margin was \$134.4 million and 1.2%, respectively, compared to an operating loss of (\$18.7) million and (0.2%) for the year ended December 31, 2017 and operating income of \$135.7 million and 1.4% for the year ended December 31, 2016. Operating cash flow margin was 6.5% for the year ended December 31, 2018, compared to 5.0% and 6.7% for the years ended December 31, 2017 and 2016, respectively. As further discussed under “*Operations of the Health Insurance Companies*” herein, the Health Insurance Companies reported an operating loss of (\$21.7) million for the year ended December 31, 2018, compared to operating losses of (\$143.4) million and (\$168.0) million for the years ended December 31, 2017 and 2016, respectively. The losses in 2018, 2017 and 2016 were primarily a result of the Affordable Care Act (“ACA”) risk adjustment program affecting CareConnect. Operating income, excluding the Health Insurance Companies, was \$156.1 million, \$124.6 million and \$303.7 million for the years ended December 31, 2018, 2017, and 2016 respectively. Excluding the Health Insurance Companies, total operating revenue grew by \$2.12 billion, from 2016 to 2018, while total operating expenses grew by \$2.27 billion.

For the six months ended June 30, 2019, Northwell’s operating income and operating margin were \$69.9 million and 1.2%, respectively, compared to \$52.9 million and a 0.9% for the six months ended June 30, 2018. Operating cash flow margin was 6.6% for both the six month periods ended June 30, 2019 and 2018. Excluding the Health Insurance Companies, operating revenue grew by \$491.9 million or 8.8% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018, while total operating expenses increased \$474.9 million or 8.6%.

Operating revenue growth was primarily attributable to increased patient volume (primarily associated with the Mather acquisition, the ambulatory and physician network expansion including investments in the Northwell Health Cancer Institute^[b] and clinical joint ventures, and increases in market share), payment rates and inpatient case mix, as well as continued revenue cycle initiatives. Operating

^[a] Total excess (deficiency) of operating revenue over operating expenses in the consolidated statement of operations is referred to as “total operating income (loss)” for purposes of Management’s Discussion and Analysis of Recent Financial Performance.

^[b] Cancer care throughout Northwell was recently branded as the Northwell Health Cancer Institute with centralized leadership.

revenue growth was negatively affected by an increase in inpatient denial activity from managed care payers that challenge the medical necessity of care provided to their members.

The increase in operating expenses was partially attributable to incremental costs associated with the increased patient volume, routine cost of living wage adjustments, the impact of inflation on supply and expense price trends and the impact of the Mather acquisition. In addition, continued investments in the following areas contributed to the growth of operating expenses: (1) facilities and programs to enhance capacity and rebuild infrastructure; (2) investments in population health management and to further prepare for the migration from fee-for-service to value-based payment models; (3) safety, quality and patient experience initiatives; (4) ambulatory and physician network expansion; (5) information technology (“IT”), including investments in electronic health records and digital health technology; and (6) mission-driven investments in medical research, education and behavioral health services. Expense reductions as a result of the implementation of productivity and efficiency efforts, program consolidation, and supply chain initiatives (including the continuous review of programs to improve the standardization, distribution, utilization and contracting) helped control the growth rate of expenses.

Northwell’s net loss^[c] and net margin for the year ended December 31, 2018 were (\$118.6) million and (1.0%), respectively, compared to net income of \$336.9 million and a net margin of 3.0% for the year ended December 31, 2017 and \$306.3 million and 3.0% for the year ended December 31, 2016. For the six months ended June 30, 2019, Northwell’s net income and net income margin were \$393.0 million and 6.2%, respectively, compared to \$38.4 million and 0.7% for the six months ended June 30, 2018. Investment income, including net realized gains and losses, and the change in net unrealized gains and losses and change in value of equity method investments, which totaled (\$198.8) million, \$390.6 million and \$185.5 million, respectively, for the years ended December 31, 2018, 2017 and 2016 and \$352.6 million and \$3.3 million, respectively, for the six months ended June 30, 2019 and 2018, affected the net income (loss) reported for each of these periods.

Management continues to focus on (1) patient experience, safety and quality improvements, (2) market share growth, (3) population health management, (4) medical research and education, and (5) diversifying revenue streams within the Northwell business model, including entering into joint venture arrangements with various partners. Maintaining the balance sheet and improving operating results also remain top management priorities so that Northwell can continue to invest in people, programs and facilities to successfully adapt and respond to changes in the health care industry while continuing to meet the needs of patients and families in all the communities it serves.

^[c] Excess (deficiency) of revenue and gains and losses over expenses in the consolidated statement of operations is referred to as “net income (loss)” for purposes of Management’s Discussion and Analysis of Recent Financial Performance with the following exceptions:

- 2018 net loss excludes the \$75.8 million non-cash contribution received in the acquisition of Mather
- 2018 net loss excludes the \$65.7 million gain on sale of property
- 2017 net income excludes the \$42.6 million accounting loss on refunding of long-term debt
- 2016 net income excludes the \$36.3 million non-cash contribution received in the acquisition of Peconic

Operations and Net Income Overview

Operating Income, Operating Cash Flow and Net Income

The following table presents a summary of key operating performance results and measures for Northwell for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019. The results of operations of Mather since the January 1, 2018 acquisition date have been included in this and other tables presented herein. Results of operations of Mather for periods prior to the acquisition date are excluded from the consolidated financial statements.

(\$'s In Millions)				Six Months Ended June 30, 2018	Six Months Ended June 30, 2019
	2016 ^[4]	2017 ^[4]	2018 ^[4]		
Operating income, excluding Health Insurance Companies	\$303.7	\$124.6	\$156.1	\$52.9	\$69.9
Operating margin, excluding Health Insurance Companies	3.2%	1.3%	1.4%	0.9%	1.2%
Health Insurance Companies operating results ^{[1] [2]}	(\$168.0)	(\$143.4)	(\$21.7)	\$0.0	\$0.0
Total operating income (loss), including Health Insurance Companies	\$135.7	(\$18.7)	\$134.4	\$52.9	\$69.9
Total operating margin, including Health Insurance Companies	1.4%	(0.2%)	1.2%	0.9%	1.2%
Operating cash flow ^[3]	\$661.8	\$543.0	\$756.3	\$371.5	\$397.3
Operating cash flow margin	6.7%	5.0%	6.5%	6.6%	6.6%
Net income	\$306.3	\$336.9	(\$118.6)	\$38.4	\$393.0
Net margin	3.0%	3.0%	(1.0%)	0.7%	6.2%

^[1] The operating loss of the Health Insurance Companies included a reduction to CareConnect's premium revenue of \$125.2 million, \$107.0 million and \$39.1 million for the years ended December 31, 2016, 2017 and 2018, respectively, related to the impact of the ACA risk adjustment program.

^[2] Adjustments to the premium deficiency reserve brought operating results of the Health Insurance Companies to a breakeven for the six months ended June 30, 2018 and 2019.

^[3] Total operating income before interest and depreciation and amortization.

^[4] Derived from audited consolidated financial statements.

Operating Revenue and Volume

Excluding the Health Insurance Companies, operating revenue increased \$2.12 billion from the year ended December 31, 2016 to the year ended December 31, 2018, reflecting a compound annual growth rate ("CAGR") of 10.7%. During the same period, excluding the impact of the Mather acquisition and excluding the Health Insurance Companies, operating revenue increased by \$1.74 billion, reflecting a CAGR of 8.9%.

For the six months ended June 30, 2019, operating revenue, excluding the Health Insurance Companies, increased by \$491.9 million or 8.8%, compared to the six months ended June 30, 2018.

The following table presents consolidated Northwell operating revenue, excluding the Health Insurance Companies, and certain volume statistics for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019.

<i>(\$'s In Millions)</i>	2016 ^[5]	2017 ^[5]	2018 ^[5]	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019
Operating Revenue: ^{[1][2]}					
Net patient service revenue	\$7,535.8	\$7,784.1	\$8,762.1	\$4,257.8	\$4,610.7
Physician practice revenue	\$1,259.6	\$1,471.2	\$1,854.9	\$907.8	\$1,007.3
Total patient revenue	\$8,795.4	\$9,255.3	\$10,617.0	\$5,165.6	\$5,618.0
Other operating revenue	\$538.7	\$653.1	\$827.0	\$366.2	\$404.6
Net assets released from restrictions used for operations	\$55.5	\$61.4	\$63.0	\$32.6	\$33.7
Total operating revenue	\$9,389.6	\$9,969.8	\$11,507.0	\$5,564.4	\$6,056.3
Volume: ^[3]					
Discharges (excluding nursery)	286,690	287,214	301,608	150,787	151,733
Ambulatory surgery visits	184,323	199,143	220,095	108,461	110,577
Emergency room visits (treated and released)	635,293	635,418	672,784	335,489	333,118
Health center visits (includes GoHealth urgent care centers)	1,161,465	1,268,094	1,400,719	696,056	755,028
Home care admissions	42,556	48,282	54,431	26,813	28,468
Other outpatient visits ^[4]	1,905,148	2,000,402	2,133,565	1,053,073	1,098,667

^[1] Excludes operating revenue of the Health Insurance Companies.

^[2] Amounts for the 2016 have been restated for the reclassification of implicit price concessions to conform to the current presentation, as noted previously.

^[3] Volume statistics for all periods exclude physician practice visits, but include statistics from Northwell entities, including clinical joint ventures, that are not members of the Obligated Group. Volume statistics for Mather are only included from the January 1, 2018 acquisition date.

^[4] Other outpatient visits for the year ended December 31, 2016 were restated to include Peconic.

^[5] Dollar amounts are derived from audited consolidated financial statements.

Northwell's core business revenue consists of net patient service revenue and physician practice revenue (collectively referred to as "total patient revenue"). For the year ended December 31, 2018, Northwell's total patient revenue increased by \$1.82 billion with a CAGR of 9.9%, compared to the year ended December 31, 2016. During the same period, excluding the impact of the Mather acquisition, total patient revenue increased by \$1.47 billion with a CAGR of 8.0%. For the six months ended June 30, 2019, Northwell's total patient revenue increased by \$452.4 million or 8.8%, compared to the six months ended June 30, 2018.

The increase in total patient revenue for all periods (excluding the impact of the Mather acquisition) was primarily a result of increases in volume (primarily related to the continued growth in physician and ambulatory services), growth in inpatient case mix, increases in payment rates, the impact of new medications and therapies advancing cancer care, and revenue cycle initiatives. The growth in physician and ambulatory services resulted from continued physician recruitment efforts in a wide range of specialties including anesthesiology and oncology, the acquisition of medical group practices, and the acquisition of existing and opening of new ambulatory centers providing ambulatory surgery, cancer care and imaging

services, including several majority-owned ambulatory surgery centers with joint venture partners. Revenue growth was negatively affected by an increase in inpatient denial activity from managed care payers.

Uncompensated care represents services rendered to patients without insurance or with balances after insurance who meet the eligibility requirements of Northwell's financial assistance policy or who otherwise are unable to pay for the care rendered. The estimated cost of uncompensated care was approximately 3% of total patient revenue for all periods presented. Financial assistance is one aspect of the multitude of community benefit programs provided by Northwell. Refer to "*Community Benefit*" herein for additional information on community benefit programs provided by Northwell.

The major recurring components of other operating revenue are laboratory services, grants and contracts, specialty and retail pharmacy sales, health plan risk pool revenue (unrelated to the Health Insurance Companies) and rental income. Other operating revenue, excluding the Health Insurance Companies, increased by \$288.3 million from 2016 to 2018, primarily as a result of increased revenue from specialty and retail pharmacy sales, laboratory services, grants and contracts, and the acquisition of Mather, as well as the proceeds received from the 2018 Medical Liability Mutual Insurance Company demutualization transaction (refer to Note 11 to the Audited Consolidated Financial Statements in Appendix B-1 for additional information).

Other operating revenue, excluding the Health Insurance Companies, increased by \$38.4 million or 10.5% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase was primarily a result of increased revenue from laboratory services and specialty and retail pharmacy sales.

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Operating Expenses

Operating expenses, excluding the Health Insurance Companies, increased \$2.27 billion from the year ended December 31, 2016 to the year ended December 31, 2018, reflecting a CAGR of 11.8%. During the same period, excluding the impact of the Mather acquisition and excluding the Health Insurance Companies, operating expenses increased by \$1.89 billion, reflecting a CAGR of 9.9%.

Operating expenses, excluding the Health Insurance Companies, for the six months ended June 30, 2019 increased by \$474.9 million or 8.6% from the six months ended June 30, 2018.

Summarized below are the consolidated Northwell operating expenses, excluding the Health Insurance Companies, for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019.

(\$'s In Millions)				Six Months Ended	Six Months Ended
	2016 ^[3]	2017 ^[3]	2018 ^[3]	June 30, 2018	June 30, 2019
Operating Expenses: ^[1]					
Salaries and employee benefits	\$5,883.7	\$6,442.6	\$7,199.6	\$3,529.6	\$3,841.6
Supplies and expenses ^[2]	\$2,676.7	\$2,841.5	\$3,530.2	\$1,663.7	\$1,817.6
Depreciation and amortization	\$410.2	\$431.5	\$474.5	\$246.6	\$256.2
Interest expense	\$115.2	\$129.5	\$146.7	\$71.7	\$71.0
Total operating expenses ^[2]	\$9,085.9	\$9,845.1	\$11,350.9	\$5,511.5	\$5,986.4

^[1] Excludes operating expenses of the Health Insurance Companies.

^[2] Amounts for the 2016 period have been restated for the reclassification of the provision for bad debts to conform to the current presentation, as noted previously.

^[3] Derived from audited consolidated financial statements.

Salaries and employee benefits, excluding the Health Insurance Companies, increased by \$1.32 billion, with a 10.6% CAGR, from the year ended December 31, 2016 to the year ended December 31, 2018. During the same period, excluding the impact of the Mather acquisition and excluding the Health Insurance Companies, salaries and employee benefits increased by \$1.09 billion, with an 8.9% CAGR. The remaining increase was partially due to staffing investments associated with the volume increases and the continued investments in strategic initiatives related to the changes in health care delivery and payment models. These investments included adding physicians and staff to support program expansion within the hospitals and the ambulatory network, and to support population health initiatives. Wage increases and staffing investments in IT, medical research and various safety, quality and patient experience initiatives throughout Northwell also contributed to the growth in salaries and employee benefits. Productivity and efficiency efforts, including savings from the consolidation of certain services and functions, helped to control the increase in salaries and employee benefits.

For the six months ended June 30, 2019, salaries and employee benefits, excluding the Health Insurance Companies, increased by \$312.0 million or 8.8%, compared to the six months ended June 30, 2018. The increase was primarily the result of the continued staffing investments and wage increases noted above.

Supplies and expenses, excluding Health Insurance Companies increased by \$853.4 million from the year ended December 31, 2016 to the year ended December 31, 2018, reflecting a 14.8% CAGR. During

the same period, excluding the impact of the Mather acquisition and excluding the Health Insurance Companies, and the incremental \$77.8 million fee related to the amended agreement with Optum360 (refer to Note 1 to the Audited Consolidated Financial Statements in Appendix B-1 for additional information) supplies and expenses increased by \$643.3 million, with an 11.4% CAGR. The remaining increase was primarily due to medical supply and pharmaceutical costs associated with the increase in volume and inpatient case mix and the cost of new implantable medical devices and medications. Investments in safety, quality and patient experience initiatives, IT, and new physician practices and ambulatory centers also contributed to the increase. Supply chain improvement efforts (which include standardization, distribution, utilization and contracting initiatives) along with productivity and efficiency efforts, helped control the growth rate of supplies and expenses including the impact of inflation.

Supplies and expenses, excluding the Health Insurance Companies, for the six months ended June 30, 2019 increased by \$154.0 million or 9.3%, compared to the six months ended June 30, 2018. The increase was primarily due to the growth in volume and continued investments noted above, partially offset by a decrease in snow removal and utility costs resulting from the mild winter of 2019.

Depreciation and amortization, excluding the Health Insurance Companies, increased by \$64.3 million, with a 7.5% CAGR, from 2016 to 2018, primarily due to continued investments in IT, facilities and programs, and the acquisition of Mather. During the same period, excluding the impact of the Mather acquisition, depreciation and amortization increased by \$49.6 million, with a 5.9% CAGR.

For the six months ended June 30, 2019, depreciation and amortization, excluding the Health Insurance Companies, increased by \$9.5 million or 3.9%, compared to the six months ended June 30, 2018, primarily due to the continued investments noted above.

The increase in interest expense of \$31.4 million from the year ended December 31, 2016 to the year ended December 31, 2018 was primarily due to the issuance of \$500 million of Northwell Health Series 2016A taxable bonds in September 2016 and \$956.9 million of Northwell Health Series 2017A taxable bonds in September 2017. A portion of the proceeds from the Series 2017A bonds was used to refund \$341.5 million of the Series 2011A bonds. The acquisition of Mather also contributed to the increase in interest expense. The increase was partially offset by the effect of scheduled principal payments on existing debt.

For the six months ended June 30, 2019, interest expense decreased by \$0.7 million compared to the six months ended June 30, 2018, primarily due to the effect of scheduled principal payments on existing debt.

Operations of the Health Insurance Companies

CareConnect, which is going through the process of an orderly wind-down that started in 2017, began providing coverage to members both on and off the New York State exchange on January 1, 2014. At December 2018, CareConnect had no remaining members enrolled, compared to 74,808 and 112,426 members as of December 2017 and 2016, respectively.

Health Plan, which began operating a Medicaid Managed Long-Term Care (“MLTC”) plan in November 2013, had ceased new enrollment in its MLTC plan in September 2017 and by January 2018 had transitioned its existing members to other plans.

The following table presents the components of the Health Insurance Companies' operating results and certain membership statistics for the years ended December 31, 2016, 2017 and 2018. The six month periods ending June 30, 2018 and 2019 are not included in the following table, due to the wind-down of the Health Insurance Companies.

<i>(\$'s In Millions)</i>	Year Ended December 31, 2016^[2]	Year Ended December 31, 2017^[2]	Year Ended December 31, 2018^[2]
Net premium revenue ^[1]	\$548.9	\$812.9	\$44.8
Other operating revenue	\$7.0	\$15.2	\$14.1
Operating expenses	\$723.9	\$971.4	\$80.6
Operating loss of the Health Insurance Companies	(\$168.0)	(\$143.4)	(\$21.7)
CareConnect members as of December	112,426	74,808	0
Health Plan members as of December	4,438	142	0

^[1] Net of the ACA risk adjustment program premium revenue adjustment.

^[2] Dollar amounts derived from audited consolidated financial statements.

CareConnect's overall operating results since inception have been negatively impacted by the actuarially determined ACA risk adjustment program. The ACA risk adjustment program, which affects the individual and small group insurance markets, is a budget neutral program for each state and is intended to transfer premium revenue from insurers that enrolled a healthier population to insurers that enrolled a less healthy population, thereby attempting to eliminate or substantially reduce an insurers' risk of adverse selection of members with costlier and complex health conditions. The risk adjustment program has been controversial, and numerous organizations across the nation, including CareConnect, had requested CMS and state insurance regulators to make adjustments to demonstrated flaws in the methodology used to calculate the risk adjustments, which particularly disadvantaged and challenged smaller and newer insurers. In April 2017, guidance on revised risk adjustment regulations was issued by the New York State Department of Financial Services ("DFS") intended to provide some relief to insurers negatively affected by it. Based on actuarial assumptions and all available information regarding the New York small group market, DFS determined that an up to 30% uniform percentage adjustment would be used in applying a market stabilization mechanism effective for the 2017 plan year, and an up to 40% adjustment for both the small group and individual markets effective for the 2018 plan year. However, in January 2019 DFS issued revised regulations lowering the relief adjustment from 30% to 18% for the 2017 plan year. In addition, a large health insurance company filed a lawsuit challenging the regulatory relief guidance issued by DFS, leading to uncertainty as to whether any risk adjustment relief would be realized. As a result of these developments, for the year ended December 31, 2018 CareConnect reduced its premium revenue by \$39.1 million related to the reversal of the risk adjustment relief previously recorded for the 2017 and 2018 plan years.

CareConnect's risk adjustment liability for the 2017 plan year amounted to \$120.8 million, based on the final risk adjusted profile of the CareConnect members compared to the New York market. This is in addition to a risk adjustment liability of \$131.7 million for the 2016 plan year. In addition, the ACA risk corridor funding anticipated from the Federal government to help cover insurer losses in the first three years of the health insurance exchanges never materialized. These factors were significant contributors to CareConnect, in the opinion of management, having no viable path to profitability and being financially unsustainable for Northwell to continue. As a result, in August 2017 Northwell announced that it would

wind down CareConnect and withdraw from New York State’s insurance markets. DFS approved CareConnect’s plan to withdraw from the insurance markets which allowed CareConnect to stop writing and renewing large and small group policies effective December 1, 2017 and individual policies effective January 1, 2018. As management anticipated that policies continuing into 2018 would operate at a loss, CareConnect recorded a premium deficiency reserve as of and for the year ended December 31, 2017 of \$38.5 million to cover its estimated future operating losses (including estimated amounts for the 2018 plan year risk adjustment liability, net of the relief amounts originally expected before the changes noted in the paragraph above). The \$21.7 million operating loss of the Health Insurance Companies for the year ended December 31, 2018 was primarily the result of the \$39.1 million write-down and reserve of the risk adjustment relief originally anticipated as noted in the paragraph above, partially offset by other changes in estimates relating to the premium deficiency reserve and a \$7.0 million gain from the sale of a CareConnect asset. Despite the decision to withdraw from the insurance markets, Northwell remains committed to other population health and value-based payment strategies.

Non-Operating Gains and Losses

The following table presents a summary of non-operating gains and losses for Northwell for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019.

<i>(\$'s In Millions)</i>	2016 ^[1]	2017 ^[1]	2018 ^[1]	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019
Non-Operating Gains and Losses:					
Investment income	\$67.7	\$109.1	\$130.1	\$69.1	\$64.3
Change in net unrealized gains and losses and change in value of equity method investments	\$117.9	\$281.5	(\$328.9)	(\$65.8)	\$288.2
Change in fair value of interest rate swap agreements designated as derivative instruments	\$0.2	-	\$0.4	\$0.6	(\$0.5)
Non-operating net periodic benefit cost	(\$39.8)	(\$27.9)	(\$12.9)	(\$10.1)	(\$8.5)
Loss on refunding of long-term debt	-	(\$42.6)	-	-	-
Contributions received in the acquisitions of Peconic (2016) and Mather (2018)	\$36.3	-	\$75.8	\$75.8	-
Gain on sale of property	-	-	\$65.7	\$64.2	-
Other non-operating gains and losses	\$24.7	(\$7.1)	(\$41.8)	(\$8.3)	(\$20.3)
Total non-operating gains and losses	\$207.0	\$313.0	(\$111.5)	\$125.5	\$323.1

^[1] Derived from audited consolidated financial statements.

Due to the changes in the investment markets over the periods presented, Northwell’s net gains and losses relating to investments have fluctuated. Refer to “*Investment Policy*” herein, the Audited Consolidated Financial Statements in Appendix B-1 and the Unaudited Interim Consolidated Financial Statements in Appendix B-2 for more information on Northwell’s investments.

In September 2017, HCI issued \$956.9 million of taxable Northwell Health Series 2017A bonds. The Series 2017A bonds were issued by HCI as a joint and several general obligation of the Obligated Group. The 2017A bonds bear interest at fixed rates, payable semi-annually, with a final maturity date of November 1, 2047. A portion of the proceeds of the Series 2017A bonds was used to refund \$341.5 million in Series 2011A bonds of the Obligated Group. A loss on refunding of long-term debt of \$42.6 million

resulted from the Series 2017A bond transaction, mainly due to the financing of interest payable through the redemption dates, which extend through May 2021, and the write-off of the unamortized original costs of issuance of the refunded bonds. However, the refunding transaction resulted in an overall net present value savings to the Obligated Group of approximately \$13.5 million

On January 1, 2018, Northwell acquired Mather by means of an inherent contribution where no consideration was transferred by Northwell. Northwell accounted for the business combination by applying the acquisition method, and accordingly, the inherent contribution is valued as the excess of Mather's assets over liabilities. In determining the inherent contribution received, all assets and liabilities were measured at fair value as of the acquisition date. The fair value of the net assets acquired without donor restrictions of \$75.8 million was recorded as a contribution within non-operating gains and losses in the consolidated statement of operations for the year ended December 31, 2018. The total contribution received in the acquisition of Mather increased Northwell's total net assets by \$79.1 million, including \$3.2 million related to net assets with donor restrictions. Refer to Note 1 to the Audited Consolidated Financial Statements in Appendix B-1 for additional information.

On January 15, 2016, Northwell acquired Peconic by means of an inherent contribution where no consideration was transferred by Northwell. Northwell accounted for the business combination by applying the acquisition method, and accordingly, the inherent contribution received is valued as the excess of Peconic's assets over liabilities. In determining the inherent contribution received, all assets and liabilities were measured at fair value as of the acquisition date. The fair value of the net assets acquired without donor restrictions of \$36.3 million was recorded as a contribution within non-operating gains and losses in the consolidated statement of operations for the year ended December 31, 2016. The total contribution received in the acquisition of Peconic increased Northwell's total net assets by \$39.6 million, including \$3.3 million related to net assets with donor restrictions.

As a result of a prior year donation, Northwell held title to a remainder interest in a property located in Brea, California. In June 2018, the property was sold and Northwell recognized a \$65.7 million gain on sale of property for its share of the sale proceeds received.

Other Changes in Net Assets Without Donor Restrictions

For a complete list of other changes in net assets without donor restrictions, refer to the Audited Consolidated Financial Statements in Appendix B-1 and the Unaudited Interim Consolidated Financial Statements in Appendix B-2.

Pension and Other Postretirement Liability Adjustments

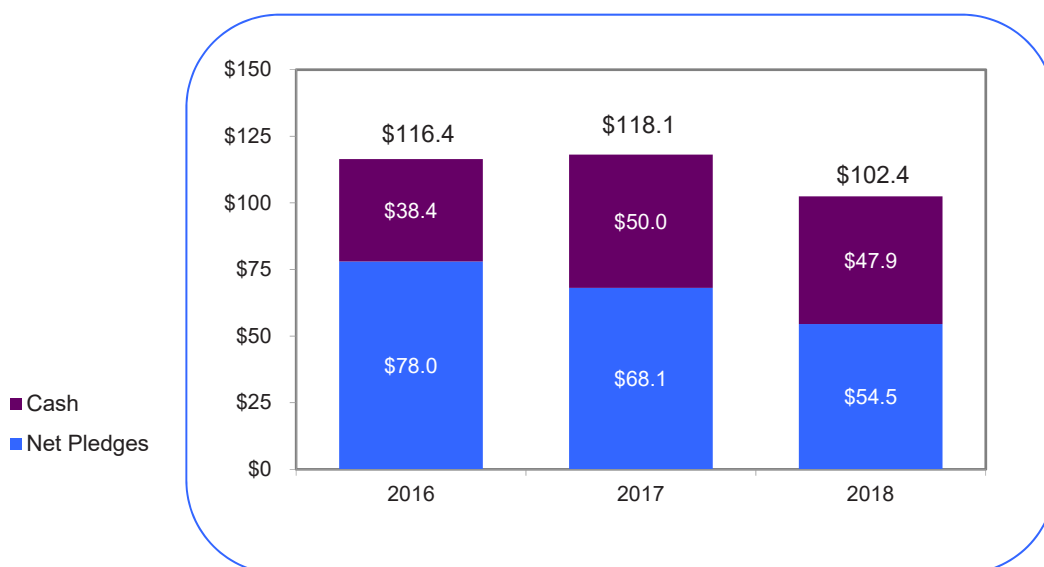
Northwell maintains several defined benefit pension and other postretirement plans for its employees. For the year ended December 31, 2018, Northwell recorded a decrease in net assets without donor restrictions of \$31.2 million, compared to a decrease of \$36.1 million for the year ended December 31, 2017 and a decrease of \$56.8 million for the year ended December 31, 2016, associated with pension and other postretirement liability adjustments. These adjustments relate to changes in discount rates and other actuarial assumptions, as well as investment gains and losses on pension plan assets, and were made in accordance with the provisions of the Accounting Standards Codification Topic 715, *Compensation - Retirement Benefits*, which requires Northwell to recognize the funded status (the difference between the projected benefit obligations and the fair value of plan assets) of its defined benefit pension and other postretirement plans in the consolidated statements of financial position with a corresponding adjustment to net assets without donor restrictions.

The combined fair value of plan assets at December 31, 2018, 2017 and 2016 as a percentage of the projected benefit obligations of Northwell’s non-contributory defined benefit pension plans was 69%, 71% and 67%, respectively. Refer to Note 9 to the Audited Consolidated Financial Statements in Appendix B-1 for more information.

Fundraising

For the years ended December 31, 2016, 2017 and 2018, Northwell’s fundraising efforts resulted in the following donations (in millions).

Fundraising - Cash and Net Pledges



For the six months ended June 30, 2019 and 2018, Northwell received \$30.3 million and \$34.4 million, respectively, in new net pledges and cash donations. Of the \$30.3 million received during 2019, \$12.3 million was in pledges and \$18.0 million was in cash. Of the \$34.4 million received during 2018, \$13.4 million was in pledges and \$21.0 million was in cash.

Cash and pledges are generally received by the Northwell Health Foundation (the “Foundation”), which was formed to solicit, receive and administer funds to be used for major modernization projects, capital acquisitions, special programs and other health care services for the benefit of the Members of the Obligated Group and other affiliated tax-exempt organizations of Northwell. The Foundation is not a Member of the Obligated Group.

Statement of Financial Position Overview

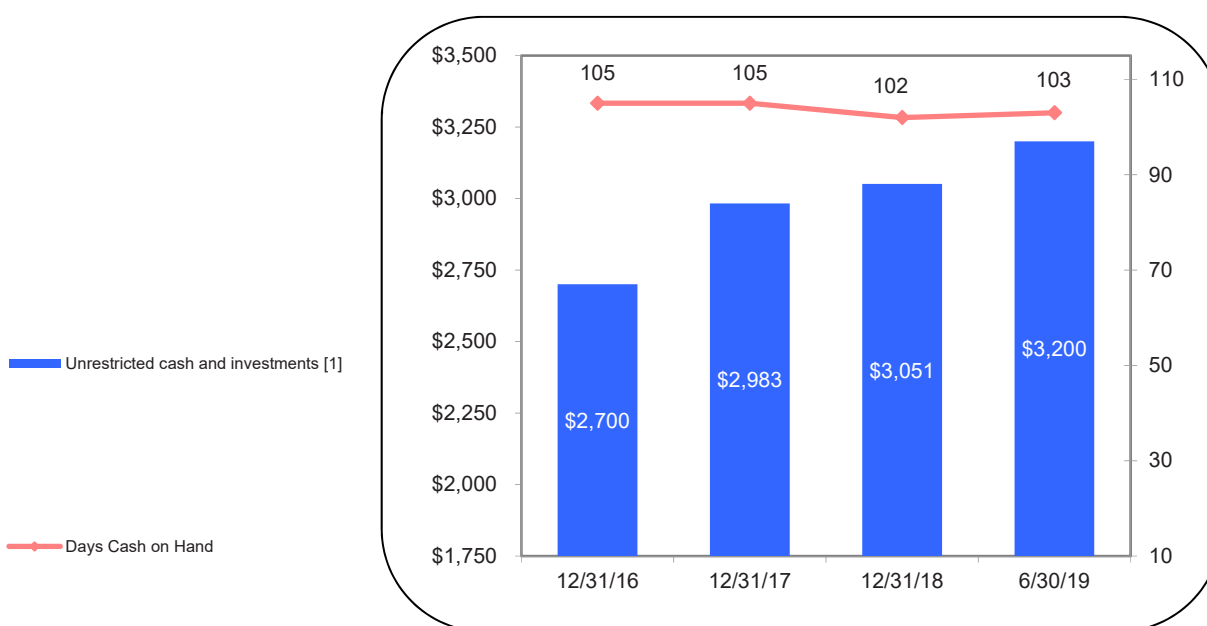
Days cash on hand, long-term debt to cash flow and long-term debt service coverage ratios for June 30, 2019 are calculated using twelve months of operating results, covering the period July 1, 2018 through June 30, 2019.

Liquidity and Capital Resources

Unrestricted cash and investments increased to \$3.20 billion as of June 30, 2019, from \$2.70 billion as of December 31, 2016, resulting in 103 days cash on hand as of June 30, 2019, a decline of 2 days from December 31, 2016, primarily attributable to the acquisition of Mather and the timing of cash receipts and expenditures, including those related to strategic and capital investments. Total unrestricted cash and investments are comprised of cash and cash equivalents, marketable securities and other investments. Refer to Note G to the Unaudited Interim Consolidated Financial Statements in Appendix B-2 and Note 4 to the Audited Consolidated Financial Statements in Appendix B-1 for more information.

The following chart presents the total unrestricted cash and investments, in millions, used in the days cash on hand calculation and the days cash on hand at December 31, 2016, 2017 and 2018 and June 30, 2019.

Total Unrestricted Cash and Investments and Days Cash on Hand



^[1] Refer to Note 4 to the Audited Consolidated Financial Statements in Appendix B-1 and Note G to the Unaudited Interim Consolidated Financial Statements in Appendix B-2 for more information.

In order to provide for future repayment of taxable debt with bullet maturities, management has designated sinking funds amounting to \$222.8 million, \$171.0 million, \$92.7 million and \$45.6 million at June 30, 2019 and December 31, 2018, 2017 and 2016, respectively. These sinking fund amounts are excluded from total unrestricted cash and investments and the days cash on hand calculation reflected in the above chart. Also excluded are funds designated by management to pay malpractice and other self-insurance liabilities and the CareConnect ACA risk adjustment program liability, as well as unspent taxable bond proceeds and other funds designated by management to fund future capital expenditures and investments.

Northwell's cash to debt measurement increased to 97.8% at June 30, 2019 compared to 90.7% at December 31, 2016, as a result of the growth in unrestricted cash and investments with the sinking funds

exceeding the increase in debt. The cash to debt ratio has been calculated for both periods including the management designated sinking funds with the unrestricted cash and investments, but excluding the other management designated funds noted in the paragraph above.

Patient Accounts Receivable

Days of total patient revenue in patient accounts receivable were 46 days, 46 days, 48 days and 46 days as of June 30, 2019 and December 31, 2018, 2017 and 2016, respectively.

Property, Plant and Equipment

Management monitors and manages capital spending in relation to operations, capital market conditions affecting investments, fundraising and debt capacity. Capital additions (including assets acquired under finance lease obligations and real estate financing transactions) totaled \$827.7 million, \$777.3 million and \$626.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. For the six months ended June 30, 2019, capital additions totaled \$360.7 million.

Net assets released from restrictions for capital asset acquisitions totaled \$44.2 million, \$32.5 million and \$33.9 million for the years ended December 31, 2018, 2017 and 2016, respectively. For the six months ended June 30, 2019, net assets released from restrictions for capital asset acquisitions were \$9.9 million.

Capital expenditures as a percentage of depreciation and amortization were 136%, 174%, 180% and 150% for the six months ended June 30, 2019 and the years ended December 31, 2018, 2017 and 2016, respectively.

Accounts Payable

Days of supplies and expenses in accounts payable were 95 days, 94 days, 89 days and 91 days as of June 30, 2019 and December 31, 2018, 2017 and 2016, respectively.

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Debt

The following table presents a summary of Northwell’s total outstanding debt, debt to capitalization, long-term debt to cash flow and long-term debt service coverage ratio as of and for the years ended December 31, 2016, 2017 and 2018 and twelve months ended June 30, 2019.

<i>(\$'s In Millions)</i>	12/31/16 ^[4]	12/31/17 ^[4]	12/31/18 ^[4]	6/30/19
Total outstanding debt ^[1]	\$3,026.6	\$3,555.4	\$3,542.2	\$3,500.0
Debt to capitalization ^[2]	46.9%	48.7%	48.5%	45.6%
Long-term debt / cash flow ^[3]	4.8x	7.0x	4.9x	4.8x
Long-term debt service coverage	3.4x	2.6x	3.3x	3.4x

^[1] Total outstanding debt includes long-term debt, finance (formerly capital) lease obligations and short-term borrowings.

^[2] Capitalization is defined as the sum of total outstanding debt and total net assets, excluding those related to permanent endowments.

^[3] Long-term debt includes long-term debt and finance lease obligations, net of current portions. Cash flow is defined as net income before all items defined in footnote [d] below, except for interest expense.

^[4] Derived from audited consolidated financial statements.

Northwell’s total debt profile as of June 30, 2019 was comprised of 5.6% variable rate debt and 94.4% fixed rate debt. However, the majority of the long-term variable rate debt is hedged under interest rate swap agreements. As such, the effective variable and fixed rate debt is 3.9% and 96.1%, respectively, of the total outstanding debt. Total outstanding debt increased by \$473.4 million from December 31, 2016 to June 30, 2019, primarily due to the issuance of the Series 2017A bonds in September 2017, partially offset by the concurrent refunding of the Series 2011A bonds and scheduled principal payments on existing debt. The acquisition of Mather also contributed to the increase.

Debt to capitalization improved to 45.6% at June 30, 2019, compared to 46.9% at December 31, 2016. Long-term debt to cash flow was 4.8x at both June 30, 2019 and December 31, 2016.

The long-term debt service coverage ratio was 3.4x for both the twelve months ended June 30, 2019, and the year ended December 31, 2016. For the June 30, 2019 and December 31, 2016 calculations, maximum annual debt service was \$249.3 million and \$212.1 million, respectively, occurring in 2019 and 2017. Income available for debt service^[d] for the twelve months ended June 30, 2019 and the year ended December 31, 2016 was \$842.2 million and \$714.4 million, respectively. Refer to “*Historical and Pro Forma Coverage of Debt Service*” herein for further information.

Northwell primarily uses its short-term borrowings under revolving credit facilities to bridge capital expenditures to be paid with donations and/or bond issues. Short-term borrowings were \$96.8 million, \$103.5 million, \$110.6 million and \$110.2 million as of June 30, 2019 and December 31, 2018, 2017 and 2016, respectively, and the total credit currently available under such arrangements is \$292 million, including amounts outstanding.

^[d] Net income as defined in footnote [c] before depreciation and amortization, interest expense, the change in net unrealized gains and losses and change in value of equity method investments, and the change in fair value of interest rate swap agreements designated as derivative instruments.

Interest Rate Swap Agreements

Certain members of Northwell have entered into various interest rate swap agreements with financial institutions, matched or related to the term and rate of various bond issues or debt agreements. As of June 30, 2019 and December 31, 2018, 2017 and 2016, the aggregate fair value of the interest rate swap agreements was a liability of \$5.9 million, \$4.9 million, \$5.7 million and \$7.9 million, respectively.

Swap agreements expose Northwell to credit risk in the event of nonperformance by the counterparties. Northwell believes that the risk of material impact to its consolidated financial statements arising from nonperformance by the counterparties is low. For further information, see “PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP – Risks Related to Interest Rate Swap Agreements” in the forepart of this Official Statement.

Commitments and Contingencies

For information on commitments and contingencies, refer to “*Regulatory Reviews, Audits, Litigation and Investigations*” and “*Other Litigation*” herein and Note K to the Unaudited Interim Consolidated Financial Statements in Appendix B-2.

Summary

Revenue growth associated with increased volume, inpatient case mix and payment rates, revenue cycle initiatives, acquisitions and growth in physician and ambulatory services, coupled with expense reductions from supply chain and other productivity and efficiency initiatives, offset by investments, including those related to ambulatory and physician network growth, patient experience, quality and safety initiatives, medical research and education, behavioral health services and population health management, and the impact of the ACA risk adjustment program, all contributed to the operating results for Northwell for the periods presented.

Despite the challenges and factors pressuring operating margins, Northwell continues to focus on improving operating performance, as evidenced by the decisions to wind down the Health Insurance Companies and withdraw from New York State’s insurance markets. While management continues to believe that operating a provider owned insurance company could be an effective strategy to manage population health, there are multiple other strategies and tactics currently in place to achieve similar goals to which Northwell remains committed.

Management also continues to focus on creating additional revenue opportunities through new and enhanced facilities, building a more diversified business model (including expanding joint venture partnerships), physician recruitment efforts, the on-going migration from fee-for-service to value-based payment models associated with population health management, and revenue cycle initiatives, as well as operating expense reductions with operational efficiency efforts, program consolidation and supply chain initiatives.

Northwell continues to invest in strategic capital projects and technology, including electronic health records and digital health technology, to maintain what management believes is a competitive advantage regarding patient and physician satisfaction and retention, and to improve clinical outcomes, patient experience, and operational processes. In addition, Northwell is making strategic investments in physicians who support key clinical service lines and staff to support the growth in the physician and ambulatory network, and in various other safety, quality and service initiatives. Management continues to monitor strategic capital needs in relation to operations, capital market conditions affecting investment

returns, fundraising and debt capacity, so that Northwell can continue to invest in people, programs and facilities in order to successfully adapt and respond to changes in the health care industry while continuing to meet the needs of the patients and families in all the communities it serves.

Financial Ratios

Northwell Financial Ratios

	December 31		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Days cash on hand ⁽¹⁾	105	105	102
Long-Term Debt/Cash Flow ⁽²⁾	4.8	7.0	4.9
Debt to Capitalization	46.9%	48.7%	48.5%
(Capitalization = Total Debt + Total Net Assets, excluding those related to permanent endowments)			

⁽¹⁾ Days Cash on Hand is calculated as described in “*Management’s Discussion and Analysis of Recent Financial Performance—Statement of Financial Position Overview—Liquidity and Capital Resources*” herein. Although the Days Cash on Hand presented above was calculated for Northwell consolidated, the amounts are not materially different from the Days Cash on Hand for the Obligated Group, which was 109, 111 and 99 as of December 31, 2016, 2017 and 2018, respectively.

⁽²⁾ Long-term debt includes long-term debt and finance lease obligations, net of current portions. Cash flow is defined as the excess of revenue and gains and losses over expenses before depreciation and amortization, the change in net unrealized gains and losses and change in value of equity method investments, the change in fair value of interest rate swap agreements designated as derivative instruments, the non-cash contributions received in the acquisitions of Peconic (2016) and Mather (2018), the accounting loss on refunding of long term debt (2017), and the gain on sale of property (2018).

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Capitalization

The following table sets forth Northwell's historical capitalization ratios as of December 31, 2017 and 2018, and the pro forma capitalization ratio as of December 31, 2018, assuming the issuance of the Bonds and the refunding of the Series 2009E Bonds.

Northwell Capitalization (Dollars in Thousands)			
	<u>2017</u>	<u>December 31, 2018</u>	<u>2018 Pro Forma</u>
Debt:			
Pro Forma 2019 Debt ⁽¹⁾	\$ -	\$ -	\$ 669,212
Existing Debt ⁽²⁾	<u>3,555,350</u>	<u>3,542,177</u>	<u>3,492,786</u>
Total Debt	<u>3,555,350</u>	<u>3,542,177</u>	<u>4,161,998</u>
Total Net Assets	3,946,058	3,983,535	3,983,535
Less: Net Assets for Permanent Endowments	<u>(195,775)</u>	<u>(219,315)</u>	<u>(219,315)</u>
	3,750,283	3,764,220	3,764,220
Total Capitalization	<u>7,305,633</u>	<u>7,306,397</u>	<u>7,926,218</u>
Percentage of Debt to Capitalization	48.7%	48.5%	52.5%

⁽¹⁾ Pro Forma 2019 Debt includes \$675.2 million relating to the Bonds, including \$25.2 million in bond premium and the impact of refunding the Series 2009E Bonds, less \$6.0 million of bond issuance costs.

⁽²⁾ Pro Forma Existing Debt as of December 31, 2018 reflects the refunding of \$49.4 million of Series 2009E Bonds, inclusive of unamortized discount and bond issuance costs.

Principal and Interest Requirements

The following table sets forth, for each respective year ending December 31, the amounts required to be paid by the Members of the Obligated Group or the Other Northwell Entities in such year for (i) the principal of the Bonds coming due during each such period; (ii) the interest with respect to the Bonds coming due during each such period; (iii) the total debt service coming due during each such period with respect to other long-term indebtedness of the Obligated Group (excluding the Series 2009E Bonds to be refunded upon the issuance of the Bonds); (iv) the total aggregate debt service of the Obligated Group, which includes the Bonds and all other long-term indebtedness; (v) other debt service of Northwell coming due during each such period; and (vi) the total aggregate debt service of Northwell during each such period. Such amounts exclude the amortization of balloon indebtedness over 30 years as required by the Master Trust Indenture in the determination of the maximum annual debt service for the purpose of calculating the long-term debt service coverage ratio.

Northwell
Long-Term Debt Service Requirements*

Fiscal Year Ending December 31,	Debt Service on the Bonds		Total Debt Service on Other Long- Term Debt of the Obligated Group ⁽¹⁾	Total Debt Service on All Long-Term Debt of the Obligated Group	Other Northwell Debt Service ⁽²⁾	Total Northwell Debt Service
	Principal	Interest				
2019	\$ -	\$ 2,641,352	\$ 182,636,290	\$ 185,277,642	\$ 21,637,992	\$ 206,915,634
2020	11,275,000	26,886,316	182,563,561	220,724,877	20,815,903	241,540,779
2021	6,155,000	26,450,566	188,388,202	220,993,768	19,217,480	240,211,248
2022	6,445,000	25,189,918	189,117,634	220,752,552	19,077,288	239,829,840
2023	6,760,000	23,914,145	187,304,271	217,978,416	13,185,688	231,164,104
2024	1,665,000	22,798,254	188,363,782	212,827,035	12,555,484	225,382,520
2025	1,760,000	21,807,362	186,668,696	210,236,058	15,262,148	225,498,207
2026	755,000	20,887,574	188,027,928	209,670,501	10,536,661	220,207,162
2027	785,000	19,992,160	299,017,718	319,794,878	10,187,015	329,981,893
2028	825,000	19,951,910	187,104,961	207,881,871	10,253,029	218,134,900
2029	855,000	19,909,910	189,032,731	209,797,641	10,236,107	220,033,748
2030	900,000	19,866,035	188,704,118	209,470,153	10,274,524	219,744,676
2031	1,950,000	19,811,669	158,048,019	179,809,688	8,031,360	187,841,048
2032	2,085,000	19,746,074	157,326,063	179,157,137	5,379,085	184,536,222
2033	2,230,000	19,676,755	157,494,537	179,401,291	4,114,583	183,515,874
2034	1,305,000	19,630,464	159,501,572	180,437,036	4,096,248	184,533,284
2035	1,395,000	19,608,324	161,830,916	182,834,239	4,075,855	186,910,095
2036	1,500,000	19,584,585	162,455,943	183,540,528	4,054,734	187,595,262
2037	1,605,000	19,559,124	164,355,864	185,519,987	4,034,829	189,554,816
2038	1,695,000	19,532,064	166,367,789	187,594,852	4,020,478	191,615,330
2039	1,800,000	19,503,405	166,675,629	187,979,033	2,757,313	190,736,346
2040	8,190,000	19,421,487	116,630,677	144,242,164	1,391,039	145,633,203
2041	7,560,000	19,292,337	117,300,138	144,152,475	1,391,887	145,544,362
2042	-	19,230,345	277,379,963	296,610,308	1,390,851	298,001,159
2043	-	19,230,345	397,499,325	416,729,670	934,916	417,664,586
2044	19,995,000	19,066,386	92,492,132	131,553,518	-	131,553,518
2045	40,005,000	18,574,386	74,114,184	132,693,570	-	132,693,570
2046	-	18,246,345	562,364,383	580,610,728	-	580,610,728
2047	-	18,246,345	890,919,346	909,165,691	-	909,165,691
2048	72,830,000	17,649,143	6,397,468	96,876,611	-	96,876,611
2049	447,675,000	17,051,941	4,136,242	468,863,183	-	468,863,183
2050	-	-	2,134,956	2,134,956	-	2,134,956
2051	-	-	1,700,936	1,700,936	-	1,700,936
2052	-	-	776,247	776,247	-	776,247
2053	-	-	793,713	793,713	-	793,713
2054	-	-	401,271	401,271	-	401,271
Total	\$650,000,000	\$612,957,019	\$6,356,027,208	\$7,618,984,226	\$218,912,497	\$7,837,896,723

* Totals may not foot due to rounding.

(1) Other Long-Term Debt of the Obligated Group encompasses existing outstanding bonds of the Obligated Group (excluding the Series 2009E Bonds that are to be refunded with the issuance of the Bonds), as well as non-bonded long-term obligations of the Obligated Group.

(2) Other Northwell Debt Service includes debt obligations of Other Northwell Entities outside the Obligated Group, including Northern Westchester, Phelps, Peconic, Mather and various consolidated clinical joint ventures. \$105.1 million of Phelps, Northern Westchester, Peconic and Mather bonds payable at December 31, 2018, which are supported by bank direct purchase agreements or letters of credit, may come due prior to the final maturity of the underlying bonds if the bank expiry dates are not extended.

Historical and Pro Forma Coverage of Debt Service

The following table sets forth the Obligated Group's historical long-term debt service coverage ratio calculated pursuant to the definition in the Master Trust Indenture for the year ended December 31, 2018 and the pro forma long-term debt service coverage ratios for the year ended December 31, 2018 and the twelve month period ended June 30, 2019. The pro forma long-term debt service coverage ratios for the year ended December 31, 2018 and the twelve month period ended June 30, 2019 assumed pro forma maximum annual debt service including the issuance of the Bonds and the refunding of the Series 2009E Bonds.

Northwell Long-Term Debt Service Coverage Ratio (Dollars in Thousands)

	12/31/2018	Pro Forma 12/31/2018	Pro Forma 6/30/19 ⁽⁴⁾
Funds Available for Debt Service:			
Excess of Revenue and Gains and Losses over Expenses	\$ 22,894	\$ 22,894	\$ 237,532
Plus: Interest	146,660	146,660	146,021
Plus: Depreciation and Amortization	475,255	475,255	484,646
Less: Change in Net Unrealized Gains and Losses and Change in Value of Equity Method Investments	328,931	328,931	(26,654)
Less: Change in Fair Value of Interest Rate Swap Agreements Designated as Derivative Instruments	(433)	(433)	699
Less: Contribution Received in the Acquisition of Mather	(75,819)	(75,819)	0
Less: Gain on sale of property	(65,723)	(65,723)	0
Total Funds Available for Debt Service	\$ 831,765	\$ 831,765	\$ 842,244
Maximum Annual Debt Service Requirements:			
Existing Debt ⁽¹⁾	248,835	-	-
Existing Debt and Pro Forma 2019 Debt ^{(1) (2)}	-	281,475	281,475
Total Maximum Annual Debt Service Requirements	\$ 248,835	\$ 281,475	\$ 281,475
Historical and Pro Forma Long-Term Debt Service Coverage Ratio⁽³⁾	3.3x	3.0x	3.0x

(1) Maximum Annual Debt Service ("MADS") has been calculated in accordance with the Master Trust Indenture. MADS occurs in 2019 for the December 31, 2018 calculation and in 2022 for the pro forma December 31, 2018 and June 30, 2019 calculations.

(2) Pro Forma Maximum Annual Debt Service as of December 31, 2018 and June 30, 2019 includes \$675.2 million relating to the Bonds, including \$25.2 million in bond premium and the impact of refunding the Series 2009E Bonds.

(3) The Long-term Debt Service Coverage Ratio presented above was calculated for Northwell on a consolidated basis. The Long-term Debt Service Coverage Ratio for the Obligated Group as calculated in accordance with the Master Trust Indenture for the year ended December 31, 2018 was 3.9x.

(4) Calculated using twelve months of operating results covering the period July 1, 2018 through June 30, 2019.

Historical and Pro Forma Debt to EBITDA

The following table sets forth Northwell's historical debt to EBITDA (as defined in the table below) ratio for the year ended December 31, 2018 and the pro forma debt to EBITDA ratios for the year ended December 31, 2018 and the twelve month period ended June 30, 2019. The pro forma debt to EBITDA ratios for the year ended December 31, 2018 and twelve month period ended June 30, 2019 include the issuance of the Bonds.

Northwell			
Debt to EBITDA			
(Dollars in Thousands)			
	<u>12/31/2018</u>	<u>Pro Forma 12/31/2018</u>	<u>Pro Forma 6/30/2019⁽³⁾</u>
Debt:			
Pro Forma 2019 Debt ⁽¹⁾	\$ -	\$ 669,212	\$ 669,212
Existing Debt ⁽²⁾	3,542,177	3,492,786	3,450,605
Total Debt	<u>\$ 3,542,177</u>	<u>\$ 4,161,998</u>	<u>\$ 4,119,817</u>
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA):			
Excess of Revenue and Gains and Losses over Expenses	\$ 22,894	\$ 22,894	\$ 237,532
Plus: Interest	146,660	146,660	146,021
Plus: Depreciation and amortization	475,255	475,255	484,646
Less: Change in Net Unrealized Gains and Losses and Change in Value of Equity Method Investments	328,931	328,931	(26,654)
Less: Change in Fair Value of Interest Rate Swap Agreements Designated as Derivative Instruments	(433)	(433)	699
Less: Contribution Received in the Acquisition of Mather	(75,819)	(75,819)	0
Less: Gain on sale of property	(65,723)	(65,723)	0
Total EBITDA	<u>\$ 831,765</u>	<u>\$ 831,765</u>	<u>\$ 842,244</u>
Historical and Pro Forma Debt to EBITDA	<u>4.3</u>	<u>5.0</u>	<u>4.9</u>

(1) Pro Forma 2019 Debt includes \$675.2 million relating to the Bonds, including \$25.2 million in bond premium and the impact of refunding the Series 2009E Bonds, less \$6.0 million of bond issuance costs.

(2) Pro Forma Existing Debt as of December 31, 2018 and June 30, 2019 reflects the refunding of \$49.4 million of Series 2009E Bonds, inclusive of unamortized discount and bond issuance costs.

(3) Calculated using twelve months of operating results covering the period from July 1, 2018 through June 30, 2019.

Budgetary Process

The annual operating and capital budgets of Northwell are prepared by the finance office of Northwell in collaboration with the administrative leadership of each Member of the Obligated Group and the Other Northwell Entities. The budgets are reviewed and approved by the Executive Leadership of Northwell and Northwell Board of Trustees. The operating budget sets the targeted gain from operations; however, there can be no assurance that this goal will be achieved in any year.

Payment Methodologies

Medicare

Medicare covers hospital services for eligible individuals who are elderly, disabled or subject to certain chronic conditions. Medicare pays acute care hospitals, such as the Obligated Group hospitals, for most general medical/surgical services provided to eligible inpatients under a prospective payment system (“PPS”) known as “inpatient PPS.” Under the inpatient PPS, hospitals receive a predetermined payment amount for each Medicare discharge. This PPS payment is a standard national amount based on the diagnostic related group (“DRG”) for the discharge subject to a geographic adjustment that takes into account regional wage differentials compared to the nation as a whole. DRGs classify treatments for illnesses according to the estimated costs of hospital resources necessary to furnish care for each patient’s principal diagnosis. Hospitals are thus at financial risk for providing services to a patient at an actual cost greater than the applicable DRG payment. DRG rates are updated annually (the update factor) based on a statistical estimate of the increase in the cost of goods and services used by hospitals in providing care (the market basket). Historically, the increases to the DRG rates have often been lower than the percentage increases in the costs of goods and services purchased by hospitals. Under provisions of the ACA, there are further reductions in the market basket percentage increase, consisting of both a flat percentage reduction and an economic productivity adjustment. DRG weights are also recalibrated annually. Hospitals also receive additional payments for certain costs, such as new technology costs as well as atypical cases (known as outliers) and the costs of organ procurement for those hospitals that have designated organ transplant programs. Hospitals also receive an additional per discharge payment based on a federal rate (with certain adjustments) to reimburse hospitals for capital costs. There is no assurance that these payments will be sufficient to cover the actual cost of providing hospital services. Medicare payments will be increasingly based on “Value Based Purchasing” (“VBP”) in the future. This methodology withholds 2.0% of the federal fiscal year (“FFY”) 2019 payments and then redistributes these funds back to hospitals based upon quality metrics. Since FFY 2015, hospitals may also be penalized up to three percent of inpatient base operating payments for unnecessary re-admissions. Since FFY 2015, as mandated by the ACA, a hospital acquired condition reduction program was implemented. A one percent payment penalty is assessed on those hospitals that trigger the unacceptable threshold. The Obligated Group hospitals continue to focus on the performance of each of the above quality based initiatives.

In 2013, CMS established the “two-midnight rule” to clarify when it expected Medicare patients to be designated as meeting the criteria for inpatient status. Under this rule, only patients that the admitting physician expects will need to spend two nights in the hospital would be considered and paid for by Medicare as hospital inpatients. For FFY 2019, CMS has relaxed the requirement that a physician order must be present in the patient’s medical record as long as the record reflects the intention to admit. CMS is requiring the subcontractor to re-review all claims they denied in their medical review process since October 2015 to make sure medical review decisions and subsequent provider education are consistent with current policy.

Certain hospital inpatient facilities or units providing specialized services, such as rehabilitation or psychiatric units, are paid under distinct payment methodologies. In 2002, Medicare implemented a distinct PPS for inpatient rehabilitation services and reduced the number of diagnoses that qualify a patient to be treated in an inpatient rehabilitation unit. Patients receiving rehabilitation services are classified into case mix groups based upon impairment, age, co-morbidities and functional capability. Hospitals receive a predetermined amount per discharge based on the patient’s case mix group as adjusted for geographic area wage levels, low-income patients, hospital teaching status, rural areas and high-cost outliers. Medicare initiated a distinct PPS for inpatient psychiatric services in 2005. Hospitals receive a predetermined per diem payment with adjustments for factors such as patient characteristics, DRG, hospital teaching status and geographic area wage levels. Rehabilitation and psychiatric PPS rates are also subject to updates. There

can be no assurance that these payments will be sufficient to cover the actual cost of providing hospital services.

Most hospital outpatient services are also paid on a PPS basis. Payments under the outpatient PPS (“OPPS”) are based upon ambulatory payment classification (“APC”) groups. An APC group includes various services and procedures determined to be similar. APC rates are adjusted annually and are subject to a geographic adjustment that takes into account wage differentials and the average amount of resources required to provide the service (*e.g.*, visit, chest x-ray, surgical procedure). Hospitals are eligible to receive additional payments for certain new or high cost drugs and devices as well as certain outlier payments. There can be no assurance that the hospital OPPS rate, which bases payment on APC groups rather than on individual services, will be sufficient to cover the actual costs of the services. In addition to the APC rate, there is a predetermined beneficiary coinsurance amount for each APC group. There can be no assurance that the beneficiary will pay this amount.

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. 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. As of calendar year 2017, CMS implemented the “site-neutral” payment policy under section 603 of the Medicare payment rules. The effect of this rule reduced Medicare payments to certain off-campus outpatient facilities from APC payments, to the lower physician fee schedules. Northwell management estimates that the impact of this rule has been to reduce annual Medicare revenue by less than \$2 million.

Certain hospitals, including some of the Obligated Group hospitals, qualify for additional payments from Medicare to cover some of the costs of providing care to a high level of Medicaid and uninsured patients (disproportionate share hospital (“DSH”) payments) and the costs of training physicians and other medical professionals (graduate medical education (“GME”) payments). DSH payments are determined annually based on certain statistical information submitted to DHHS and are paid as a percentage addition to DRG payments. In FFY 2014, in accordance with the ACA, there were major changes made to the DSH payment formula. Significantly, the ACA modified the DSH payment methodology so that DSH qualifying hospitals receive only 25% of the DSH payment amount the hospitals would have received previously under the Medicare DSH statutory formula. The remaining 75% of what otherwise would have been paid is reduced in accordance with the reduced level of uninsured persons throughout the country and is available to make additional payments to each DSH qualifying hospital that has uncompensated care. Each fiscal year, the payments to each hospital are based on the hospital’s amount of uncompensated care for a time period relative to the total amount of uncompensated care for the same time period for all hospitals that receive DSH payments that year. Beginning in FFY 2018, the calculation of uncompensated care payments has begun to be based on uncompensated care reported on the Medicare cost report. This change will be phased in over the period of FFY 2018–2020. Various alternatives to this revised DSH payment methodology have been proposed by the hospital industry and continue to be considered by federal regulators. If this policy change continues to be phased in as currently enacted, Northwell management estimates that the annual impact on Northwell’s Medicare payments would be approximately \$25 million. See “PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP – Affordable Care Act and Health Care Reform Initiatives” in the forepart of this Official Statement for further information on these changes.

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 their extensive “stand-by” capabilities. DGME costs are paid under a prospective methodology based on a hospital-specific approved amount per resident. Additional payments are available

to PPS teaching hospitals for the IME costs attributable to their approved graduate medical education programs. The IME payment is an additional payment calculated as a percentage add-on to the inpatient DRG payment. The payment is based on a formula that incorporates the hospital's ratio of residents to beds in use and total inpatient PPS operating cost revenue. DGME and IME payments are subject to certain limitations, such as a cap on a hospital's allowable residents based on the number of residents in a base year, and reductions for training taking place in non-hospital settings unless certain criteria are met. Congress has repeatedly sought to limit GME payments and there can be no assurance that such efforts will not be successful in the future.

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.

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 level of payment and rate of increase in the cost of the program. The most significant areas of concern for cuts to the Medicare program are IME and DSH payments. Another area of concern is "Pay for Performance" or VBP (as discussed above), which incorporates either an increase or decrease to the Medicare base payment rate based on the results of quality measures that a hospital must submit to Medicare. The intention of Pay for Performance is to pay for quality delivery of care, not simply quantity. It is likely that revisions will continue, some of which may adversely affect the Medicare payments that Members of the Obligated Group receive.

The OIG of DHHS reviews the appropriateness and accuracy of hospital payments. The OIG compares payments for physician office visits furnished in provider-based and free-standing clinics for similar procedures and assesses the potential impact on the Medicare program of hospitals' claiming provider-based status for such facilities. OIG reviews of hospitals will continue to scrutinize the impact of provider-based status on Medicare billing. Provider-based status allows a subordinate facility to bill as part of the main facility and can result in additional Medicare payments for services furnished at provider-based facilities.

The 340b Drug Pricing Program requires drug manufacturers to provide outpatient drugs to eligible health care organizations and other covered entities at significantly reduced prices. The 340b program enables covered entities to reach more eligible patients and provide more comprehensive services. LIJMC (including LIJFH and LIJVS), SS, SIUH, Phelps, and Lenox are eligible and participate in the 340b discount program. Beginning in calendar year 2018, the financial benefit associated with a provider being permitted to purchase discounted drugs was decreased. The regulatory provision imposed reduced hospital reimbursement for most 340b drugs from Average Sales Price ("ASP") plus 6% down to ASP less 22.5% so as to approximate acquisition cost.

Medicare pays home health agencies a prospective predetermined episodic base payment adjusted for patients' health condition and care needs. The payment is also adjusted for geographic wage differences based on the location of service. Medicare pays hospices a daily wage-adjusted payment rate for each day a patient is enrolled in the hospice benefit. These daily rates are made regardless of the amount of services provided on a given day. Payments are made based on four levels of care required to meet patient and family needs.

Medicare pays for certain physician services based 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. On

April 16, 2015, Congress signed in to law the Medicare Access and CHIP Restoration Act of 2015. This act permanently replaces the sustainable growth rate formula used by Medicare to determine payments for physician services with a fixed 0.5% annual adjustment for the years 2015 through 2019. From 2020-2025, the base rates will be maintained and physician compensation will be subject to adjustment under the Merit-Based Incentive Payment System (“MIPS”). Beginning in 2026, physicians who receive a significant portion of revenue through alternative payment models will receive a 0.75% increase, while those physicians who do not participate in these alternatives will receive an increase of 0.25%. Under MIPS, physicians will be assigned a composite performance score based on measures of quality, resource use, meaningful use of electronic health records, and clinical practice improvement activities. A threshold performance score will be set annually by DHHS at the mean or medium of all composite scores for a prior annual performance period. Performance exceeding the threshold will result in a positive adjustment, performance below the threshold will result in a negative adjustment, and performance at the threshold will result in no adjustment.

Non-Medicare Payment

As periodically updated and renewed, the New York State payment methodologies govern non-Medicare payments to hospitals in New York State. Under the New York State payment methodologies, 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 with the exception of Medicaid HMO payers who will be billed at the Medicaid HMO default rate as established by the NYSDOH. Medicaid, Workers’ Compensation and No-Fault payers pay hospital rates promulgated by NYSDOH on a prospective basis. Every year, Northwell’s hospitals and nursing homes must have their Medicaid payment rates certified for the forthcoming year by the New York State Commissioner of Health and approved by the State Director of Budget, recognizing economic and budgetary considerations. In addition, Medicaid rate methodologies are subject to approval at the federal level by 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 Obligated Group is reasonably assured that such amounts are realizable. Adjustments to the current and prior years’ payment rates for Medicaid will continue to be made in future years.

New York State payment methodologies include a system of state-imposed assessments and surcharges on various categories of third-party payers for health care services that fund annual state-operated pools for indigent care. In 2010, funds from the professional education pool were transferred to the indigent care pool and distributed to hospitals on a methodology utilizing uninsured patient volume. There will be continued changes in the methodology used to determine the amount of the distributions to be made to hospitals and in the methodology used to determine the cap on the amount of the distributions to hospitals. These issues could negatively impact Northwell. Charity care has become an area of intense focus by both federal and state governments. The NYSDOH has changed the pool distribution methodology. Effective January 1, 2013, funds are distributed in accordance with each facility’s relative uncompensated care need, which will be based on uninsured inpatient and outpatient units of service from cost reporting periods two years prior to the distribution year, multiplied by the applicable Medicaid rates in effect as of January 1 of the distribution year adjusted by a statewide cost adjustment factor and reduced by any payment amounts collected from such uninsured patients. To ease the transition to this new payment methodology, NYSDOH provided a transition period during which no hospital experienced a reduction in indigent care pool payments for calendar year 2013 greater than 2.5% of its average distributions received over the three previous calendar years. For each subsequent year, the reduction in pool distributions is limited to an additional 2.5% of the preceding three-year average (*i.e.*, the cap on losses is 12.5% in 2017 and 15.0% in 2018, 17.5% in 2019 and 20% in 2020). This transition collar was extended to April 2020. In addition, the transition adjustment also caps the amount a hospital can gain under the new methodology by

placing a derived increase cap on each hospital's distributions under the new methodology when compared to the three year average.

The ACA legislated cuts to the Federal portion of Medicaid DSH allotments, based on the projected reduction in the level of uninsured resulting from Medicaid expansion and the exchanges. Cuts scheduled to begin in FY 2020 start at \$4 billion nationally, growing to \$8 billion in 2021 and increasing to \$44 billion through FY 2025. Federal funding of New York State DSH allotments would be cut by \$659 million in FY 2020, growing to a \$1.3 billion reduction in funding by FY 2025, a loss of 70% in federal Medicaid DSH funding to the State. The NYSDOH has not yet determined how it plans to implement the federal Medicaid DSH reductions, but Northwell management estimates that the impact to Northwell will be approximately \$10 million.

The teaching component of Medicaid and Medicaid Managed Care payments, which is distributed outside the pools, is expected to continue to be paid by the State directly to the hospitals through the Medicaid rates. Members of the Obligated Group receive significant payments from the indigent care pool, and no assurances can be given that substantial subsequent changes in these programs will not occur, nor that subsequent payments will remain at levels comparable to the present level.

In New York State, Medicaid is a jointly funded federal-state-county program administered by the State by which hospitals receive payment for services provided to eligible infants, children, adolescents and indigent adults. Since its application for a federal Medicaid waiver under Section 1115 of the Social Security Act was first approved in 1997, the State of New York has mandated that a significant portion of its Medicaid population be assigned and enrolled into private managed care plans. Under the waiver, Medicaid recipients are required to enroll in one of several managed care options, unless they fall into an exempt or excluded category enumerated in the New York statute. Management of the Obligated Group believes that Medicaid fee-for-service payments will likely constitute a reduced percentage of the Obligated Group's inpatient revenue as Medicaid Managed Care plans contract with hospitals on a negotiated-rate basis. See "Managed Care" herein.

In 2011, the New York State Budget included further cuts to payments to providers in a wide variety of areas. In addition, many modifications occurred as a result of the Medicaid Redesign Team. One of the key provisions is an overall state spending cap, which if exceeded, will result in further payment cuts. It remains uncertain whether the State will be able to keep spending below the limit in future years without resorting to additional rate cuts.

Payments made to health care providers under the Medicaid program are subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and may be expected to occur in the future, particularly in response to federal and state budgetary constraints.

There are various proposals at the federal and State levels that could, among other things, significantly reduce rates or modify rate setting methods. The ultimate outcome of these proposals and other market changes cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on Northwell. Additionally, certain payers' payment rates for various years have been appealed by certain Members of the Obligated Group. If the appeals are successful, additional income applicable to those years might be realized.

Any future reductions could have a material adverse effect on the financial condition of Northwell.

See “PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP – New York State Budget” and “– Medicare and Medicaid Payment” in the fore part of this Official Statement.

Managed Care

Managed care programs, which include various payment methodologies and utilization controls through the use of primary care physicians, case managers and other care coordinators are increasingly being offered by traditional insurance companies and managed care organizations in New York State. Payment methodologies include per diem rates, per discharge rates, discounts from established charges, fee schedules and capitation payments. Enrollment in managed care programs has increased, and managed care programs are expected to have a greater influence on the manner in which health care services are delivered and paid for in the future. Managed care programs are expected to reduce the utilization of health care services, and inpatient services in particular. In addition, some managed care organizations have been delaying payments to hospitals thereby affecting institution cash flows. The Obligated Group’s financial condition may be adversely affected by these trends. See “PART 6 – RISK FACTORS AND REGULATORY PROVISIONS THAT MAY AFFECT NORTHWELL AND THE OBLIGATED GROUP – Other Risk Factors” in the forepart of this Official Statement.

Northwell has established relationships with most managed care companies in the market, and these contracts cover most products (HMO, point of service, PPO) and payer types (Medicare, Medicaid, commercial). The five managed care companies that represent the largest managed care patient volume within Northwell are Empire Health Choice/Anthem, United HealthCare, Emblem Health, CIGNA and Aetna.

The hospitals of Northwell, including the Members of the Obligated Group, employ a multifaceted, centralized strategy for managed care contracting. The goal of the contracting effort is to create mutually beneficial arrangements with managed care payers that will enable Northwell to maintain and enhance the quality of care provided to patients. This strategy was implemented in an effort to allow Northwell to maintain stable compensation/revenue through a combination of price enhancements and increases in volume to its facilities. The contracting initiatives include achieving efficiencies through unified integrated system-wide contracting, payment assurances, limitations on payer preferred pricing and volume objectives, open panels for physicians and diversified contracting for various products offered by each carrier. From time to time, Northwell has disputes with HMOs, PPOs and other managed care payers concerning payment and contract interpretation issues. Such disputes may result in mediation, arbitration or litigation.

These efforts are taking place despite the increased strength of payers due to a number of factors. Payer consolidation in the marketplace would further disadvantage hospitals and result in a small number of managed care payers controlling the majority of discharges. Shifts between product types within a particular payer’s population may adversely affect expected compensation/revenue. In addition, managed care payers have also begun implementing disease management programs and carving out many services (such as Behavioral Health / Substance Abuse, Laboratory and Radiology services) to third parties, as well as creating sub-networks (“centers of excellence”) for high cost services such as cardiac care, bariatric surgery or bone marrow transplants, restricting the number of providers that may offer these services to their members in return for additional discounts or contract terms favoring the payer. Northwell has also embarked on a strategy to give consideration to equity in pricing as volume shifts from inpatient to outpatient settings due to innovations in medical technology and clinical practice, and shared savings/shared risk arrangements that reward efficiencies and provide volume channeling. Examples of this include: pricing discounts linked to volume channeling, more favorable payment terms, preferred networks and benefit differentials, participation in “centers of excellence,” and considerations for the relative size of the payer in the marketplace. In addition, Northwell participates in pay-for-performance arrangements with

several payers that provide opportunities for incentive payments tied to performance on specified quality and/or efficiency measures.

The majority of managed care payment is paid on either a discounted fee-for-service basis or case rate according to contracted rates. Financial terms are established based upon the size of health plan membership and the ability of the company to direct patients to Northwell. Separate rates are established for each product line (Medicare, Medicaid, Indemnity, HMO, and PPO). Most contracts are either on a DRG-based per case rate for all acute services or include per diem rates for general inpatient services and an extensive number of DRG-based case rates for tertiary and quaternary care. Psychiatric and Rehabilitation services are generally negotiated on a per diem basis. Outpatient services are paid on a percent of charges or fixed fee schedule basis.

Most Medicaid managed care members are enrolled with Prepaid Health Services Plans (“PHSPs”). PHSPs are managed care companies that were enabled by New York State as part of the federal waiver it received to enroll Medicaid eligible patients in managed care. For several years, Northwell prepared for the implementation of mandatory Medicaid managed care enrollment in New York City and Nassau and Suffolk Counties, New York, through contracting initiatives and operational changes to ensure continued patient volume. A major part of this initiative was purchasing a significant ownership interest, currently 11%, in Healthfirst, a health plan owned collectively by a consortium of hospitals in the region and the largest managed Medicaid plan in New York City.

APPENDIX B-1

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF NORTHWELL HEALTH, INC.
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
WITH REPORT OF INDEPENDENT AUDITORS**

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CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Northwell Health, Inc.
Years Ended December 31, 2018 and 2017
With Report of Independent Auditors

Ernst & Young LLP



Northwell Health, Inc.

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2018 and 2017

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Report of Independent Auditors

The Board of Trustees
Northwell Health, Inc.

We have audited the accompanying consolidated financial statements of Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, Northwell), 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.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northwell Health, Inc. and its member corporations and other affiliated entities at December 31, 2018 and 2017, and the consolidated results of its operations, changes in its net assets and its 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 2 to the consolidated financial statements, Northwell changed its method of revenue recognition as a result of the adoption of the amendments to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) resulting from Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, effective January 1, 2018 and adopted the amendments to the FASB ASC resulting from ASU 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating and combining statements of financial position and consolidating and combining statements of operations are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated 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 consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Ernst & Young LLP

April 30, 2019

Northwell Health, Inc.

Consolidated Statements of Financial Position
(In Thousands)

	December 31	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 538,964	\$ 399,856
Short-term investments	2,581,695	2,689,489
Accounts receivable for services to patients, net	1,130,325	1,094,584
Accounts receivable for physician activities, net	205,422	149,504
Pledges receivable, current portion	67,590	63,459
Insurance claims receivable, current portion	54,877	78,468
Other current assets	326,685	288,197
Total current assets	<u>4,905,558</u>	<u>4,763,557</u>
Long-term investments	2,066,327	2,279,855
Pledges receivable, net of current portion	99,146	126,263
Property, plant and equipment, net	5,392,562	4,934,215
Insurance claims receivable, net of current portion	182,426	181,869
Other assets	390,963	283,229
Total assets	<u>\$ 13,036,982</u>	<u>\$ 12,568,988</u>
Liabilities and net assets		
Current liabilities:		
Short-term borrowings	\$ 103,500	\$ 110,608
Accounts payable and accrued expenses	979,100	998,686
Accrued salaries and related benefits	891,525	732,536
Current portion of capital lease obligations	6,720	3,742
Current portion of long-term debt	55,469	48,844
Current portion of insurance claims liability	54,877	78,468
Current portion of malpractice and other insurance liabilities	175,728	134,488
Current portion of estimated payables to third-party payers	270,578	358,518
Total current liabilities	<u>2,537,497</u>	<u>2,465,890</u>
Accrued retirement benefits, net of current portion	1,041,936	948,994
Capital lease obligations, net of current portion	177,449	171,873
Long-term debt, net of current portion	3,199,039	3,220,283
Insurance claims liability, net of current portion	182,426	181,869
Malpractice and other insurance liabilities, net of current portion	1,220,562	1,057,325
Other long-term liabilities	694,538	576,696
Total liabilities	<u>9,053,447</u>	<u>8,622,930</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	3,344,826	3,315,111
With donor restrictions	638,709	630,947
Total net assets	<u>3,983,535</u>	<u>3,946,058</u>
Total liabilities and net assets	<u>\$ 13,036,982</u>	<u>\$ 12,568,988</u>

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Operations (In Thousands)

	Year Ended December 31	
	2018	2017
Operating revenue:		
Net patient service revenue	\$ 8,762,122	\$ 7,784,115
Physician practice revenue	1,854,861	1,471,198
Total patient revenue	10,616,983	9,255,313
Other operating revenue	826,999	653,082
Net assets released from restrictions used for operations	63,021	61,375
	11,507,003	9,969,770
Operating expenses:		
Salaries	5,851,950	5,212,002
Employee benefits	1,347,618	1,230,621
Supplies and expenses	3,530,160	2,841,508
Depreciation and amortization	474,509	431,497
Interest	146,660	129,509
	11,350,897	9,845,137
Excess of operating revenue over operating expenses, excluding Health Insurance Companies	156,106	124,633
Health Insurance Companies operating revenue	58,909	828,077
Health Insurance Companies operating expenses	80,620	971,447
Health Insurance Companies excess of operating expenses over operating revenue	(21,711)	(143,370)
Total excess (deficiency) of operating revenue over operating expenses	134,395	(18,737)
Non-operating gains and losses:		
Investment income	130,096	109,051
Change in net unrealized gains and losses and change in value of equity method investments	(328,931)	281,520
Change in fair value of interest rate swap agreements designated as derivative instruments	433	-
Non-operating net periodic benefit cost	(12,862)	(27,863)
Loss on refunding of long-term debt	-	(42,619)
Contribution received in the acquisition of John T. Mather Memorial Hospital	75,819	-
Gain on sale of property	65,723	-
Other non-operating gains and losses	(41,779)	(7,107)
Total non-operating gains and losses	(111,501)	312,982
Excess of revenue and gains and losses over expenses	22,894	294,245
Net assets released from restrictions for capital asset acquisitions	44,170	32,516
Change in fair value of interest rate swap agreements designated as cash flow hedges	1,279	2,218
Pension and other postretirement liability adjustments	(31,190)	(36,130)
Other changes in net assets	(7,438)	(5,681)
Increase in net assets without donor restrictions	\$ 29,715	\$ 287,168

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Changes in Net Assets
(In Thousands)

Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2017	\$ 3,027,943	\$ 574,583	\$ 3,602,526
Contributions and grants	–	137,807	137,807
Investment income	–	11,645	11,645
Change in net unrealized gains and losses and change in value of equity method investments	–	21,295	21,295
Excess of revenue and gains and losses over expenses	294,245	–	294,245
Net assets released from restrictions for:			
Capital asset acquisitions	32,516	(32,516)	–
Operations	–	(61,375)	(61,375)
Non-operating activities	–	(19,518)	(19,518)
Change in fair value of interest rate swap agreements designated as cash flow hedges	2,218	–	2,218
Pension and other postretirement liability adjustments	(36,130)	–	(36,130)
Other changes in net assets	(5,681)	(974)	(6,655)
Increase in net assets	287,168	56,364	343,532
Net assets, December 31, 2017	<u>\$ 3,315,111</u>	<u>\$ 630,947</u>	<u>\$ 3,946,058</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2018	\$ 3,315,111	\$ 630,947	\$ 3,946,058
Contributions and grants	–	137,057	137,057
Investment income	–	13,379	13,379
Change in net unrealized gains and losses and change in value of equity method investments	–	(21,731)	(21,731)
Contribution received in the acquisition of John T. Mather Memorial Hospital	–	3,241	3,241
Excess of revenue and gains and losses over expenses	22,894	–	22,894
Net assets released from restrictions for:			
Capital asset acquisitions	44,170	(44,170)	–
Operations	–	(63,021)	(63,021)
Non-operating activities	–	(16,400)	(16,400)
Change in fair value of interest rate swap agreements designated as cash flow hedges	1,279	–	1,279
Pension and other postretirement liability adjustments	(31,190)	–	(31,190)
Other changes in net assets	(7,438)	(593)	(8,031)
Increase in net assets	29,715	7,762	37,477
Net assets, December 31, 2018	<u>\$ 3,344,826</u>	<u>\$ 638,709</u>	<u>\$ 3,983,535</u>

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended December 31	
	2018	2017
Operating activities		
Increase in net assets	\$ 37,477	\$ 343,532
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contribution received in the acquisition of John T. Mather Memorial Hospital	(79,060)	-
Permanent endowment donor contributions	(25,332)	(15,776)
Depreciation and amortization	475,255	432,260
Amortization of bond premiums, discounts and financing costs	(1,584)	(1,816)
Net realized gains and losses, change in net unrealized gains and losses and change in value of equity method investments	242,753	(393,217)
Change in fair value of interest rate swap agreements	(1,712)	(2,218)
Gain on sale of property	(65,723)	-
Gain on sale of Broadlawn	-	(32,252)
Loss on refunding of long-term debt	-	42,619
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	9,064	(119,161)
Accounts receivable for physician activities, net	(54,335)	(21,786)
Pledges receivable	26,775	(53,141)
Current portion of estimated payables to third-party payers	(87,940)	38,392
Accrued retirement benefits, net of current portion	43,033	21,616
Malpractice and other insurance liabilities	183,099	123,848
Net change in all other operating assets and liabilities	210,256	187,965
Net cash provided by operating activities	912,026	550,865
Investing activities		
Capital expenditures	(824,947)	(777,332)
Proceeds from sale of property	65,723	-
Proceeds from sale of Broadlawn	-	54,032
Net cash from sales of (invested in) short-term and long-term investments	131,563	(271,052)
Cash received in the acquisition of John T. Mather Memorial Hospital	15,222	-
Payments for acquisitions and clinical joint venture investments, net	(119,723)	(74,268)
Net cash used in investing activities	(732,162)	(1,068,620)
Financing activities		
Principal payments on long-term debt and capital lease obligations	(51,691)	(58,675)
Payments on refunded and redeemed long-term debt	-	(377,966)
Payments on short-term borrowings	(110,608)	(19,500)
Proceeds from short-term borrowings	100,000	19,500
Proceeds from long-term debt	-	956,919
Payments for financing costs	-	(7,725)
Proceeds from permanent endowment donor contributions	21,543	21,763
Net cash (used in) provided by financing activities	(40,756)	534,316
Net increase in cash and cash equivalents	139,108	16,561
Cash and cash equivalents, beginning of year	399,856	383,295
Cash and cash equivalents, end of year	\$ 538,964	\$ 399,856
Supplemental disclosure of cash flow information		
Cash paid during the year for interest (exclusive of amounts capitalized)	\$ 147,958	\$ 125,022
Supplemental disclosure of noncash investing and financing activities		
Assets acquired under capital lease obligations	\$ 2,773	\$ -

See accompanying notes.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (In Thousands)

December 31, 2018

1. Organization and Principles of Consolidation

Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, Northwell) is an integrated health care delivery system in the New York metropolitan area. Most entities within Northwell are exempt from Federal income taxes on related income under the provisions of Section 501(a) of the Internal Revenue Code (the Code) as organizations described in Section 501(c)(3), while certain entities are not exempt from such income taxes. The exempt organizations also are exempt from New York State and local income taxes.

The accompanying consolidated financial statements include the accounts of the following principal operating organizations. All interorganization accounts and activities have been eliminated in consolidation.

Hospitals

- North Shore University Hospital (NSUH), including Syosset Hospital
- Long Island Jewish Medical Center (LIJMC), including Long Island Jewish Hospital, Long Island Jewish Forest Hills, Long Island Jewish Valley Stream, Steven and Alexandra Cohen Children's Medical Center of New York, Zucker Hillside Hospital and Orzac Center for Rehabilitation
- Staten Island University Hospital (Staten Island), including both North and South campuses
- Lenox Hill Hospital (Lenox)
- Southside Hospital (Southside)
- Glen Cove Hospital (Glen Cove)
- Huntington Hospital Association (Huntington)
- Plainview Hospital (Plainview)
- The Long Island Home (South Oaks Hospital)
- Phelps Memorial Hospital Association (Phelps, collectively with its subsidiaries)
- Northern Westchester Hospital Association (Northern Westchester, collectively with its subsidiaries)
- Peconic Bay Medical Center (Peconic, collectively with its subsidiaries)
- John T. Mather Memorial Hospital (Mather, collectively with its subsidiary)

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Principles of Consolidation (continued)

Other Entities

- Northwell Health, Inc. and Northwell Healthcare, Inc. (HCI) – parent holding companies
- Northwell Health Stern Family Center for Rehabilitation (Stern) – skilled nursing facility and rehabilitation center
- Northwell Health Laboratories – laboratory services
- North Shore Health System Enterprises, Inc., North Shore Health Enterprises, Inc. and True North Health Services Company, LLC – holding companies for certain related entities
- RegionCare, Inc. – infusion therapy and licensed home health agency services
- North Shore Community Services, Inc. – real estate holdings and related services
- North Shore University Hospital Housing, Inc., North Shore University Hospital at Glen Cove Housing, Inc. and Hillside Hospital Houses, Inc. – housing and auxiliary facilities for staff members, students and employees
- Visiting Nurse Association of Hudson Valley, Inc. and subsidiaries – home care and hospice services
- True North Health Pharmacy, Inc. – retail pharmacy
- North Shore-LIJ and Yale New Haven Medical Air Transport, LLC – medical air transport company 90% owned by Northwell
- Melville SC, LLC – outpatient ambulatory surgery center 51% owned by Northwell
- Greenwich Village Surgery Center – outpatient ambulatory surgery center currently 100% owned by Northwell
- The Feinstein Institute for Medical Research – medical research
- Northwell Health Foundation – fundraising
- Hospice Care Network – hospice services
- North Shore-LIJ Health Plan Inc. (Health Plan) – tax-exempt health insurance entity
- CareConnect Insurance Company Inc. (CareConnect) – for-profit health insurance entity
- Regional Insurance Company Ltd. (Regional Insurance) – captive insurance company providing excess professional liability insurance
- Huntington Hospital Dolan Family Health Center – community health center
- Endoscopy Center of Long Island, LLC – outpatient endoscopy center 70.2% owned by Northwell
- North Shore Medical Accelerator, P.C. – outpatient radiation oncology center 70% owned by Northwell
- Endo Group, LLC – outpatient ambulatory surgery center 51% owned by Northwell
- DHCH, LLC (Digestive Health Center of Huntington) – outpatient endoscopy center 51% owned by Northwell
- South Shore Surgery Center, LLC – outpatient ambulatory surgery center 50.1% owned by Northwell
- Suffolk Surgery Center, LLC – outpatient ambulatory surgery center 68% owned by Northwell
- Other affiliated professional corporations

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Principles of Consolidation (continued)

Certain members of Northwell (the Obligated Group) are jointly and severally liable for obligations under bond indentures (see Note 7). The Obligated Group consists of HCI, NSUH, LIJMC, Staten Island, Lenox, Southside, Huntington, Glen Cove, Plainview and Stern.

Northwell maintains a controlling ownership in various entities whose results of operations are included in the accompanying consolidated financial statements. Northwell's non-controlling interest in these entities at December 31, 2018 and 2017 is immaterial, both individually and in the aggregate, to Northwell's net assets and excess of revenue and gains and losses over expenses, as reported in the accompanying consolidated financial statements.

Northwell is party to an agreement with Optum360, LLC (Optum360), a provider of revenue cycle management solutions and technology, where Optum360 provides revenue cycle services for most of Northwell's hospitals. As part of the agreement, Northwell contributed certain intellectual property related to its internal revenue cycle functions in exchange for an 8% ownership interest in Optum360. Northwell accounts for the investment in Optum360 using the equity method of accounting. At December 31, 2018 and 2017, \$137,104 and \$127,456, respectively, is reported within long-term investments in the accompanying consolidated statements of financial position for this investment. Northwell incurred management fees of \$117,501 and \$121,764 to Optum360 for revenue cycle services for the years ended December 31, 2018 and 2017, respectively. In addition, during 2018 the agreement with Optum360 was amended, with Northwell incurring a related incremental fee of \$77,804 included in the consolidated statement of operations for the year ended December 31, 2018, payable over several years.

Acquisitions

On January 1, 2018 (the Acquisition Date), Northwell acquired Mather, a 248-bed not-for-profit community teaching hospital located in Port Jefferson, New York, and its affiliated professional corporation. Northwell acquired Mather by means of an inherent contribution where no consideration was transferred by Northwell. Northwell accounted for the business combination by applying the acquisition method and, accordingly, the inherent contribution is valued as the excess of the fair value of assets acquired over the fair value of liabilities assumed. In determining the inherent contribution received, all assets and liabilities were measured at the fair value as of the Acquisition Date. The results of Mather's operations have been included in the consolidated financial statements since the Acquisition Date. Mather is not a member of the Obligated Group.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

1. Organization and Principles of Consolidation (continued)

The following table summarizes the estimated fair values of Mather's assets acquired and liabilities assumed at the Acquisition Date:

	<u>January 1, 2018</u>
Assets	
Cash and cash equivalents	\$ 15,222
Investments	54,506
Accounts receivable for services to patients	44,805
Accounts receivable for physician activities	1,583
Property, plant and equipment	105,882
Insurance claims receivable	21,257
Other assets	28,379
Total assets acquired	<u>271,634</u>
Liabilities	
Short-term borrowings	3,500
Accounts payable and accrued expenses	29,755
Accrued salaries and related benefits	20,325
Accrued retirement benefits	49,909
Capital lease obligations	11,792
Long-term debt	32,644
Insurance claims liability	21,257
Malpractice and other insurance liabilities	21,378
Other long-term liabilities	2,014
Total liabilities assumed	<u>192,574</u>
Excess of assets acquired over liabilities assumed	<u>\$ 79,060</u>
Net assets acquired	
Without donor restrictions	\$ 75,819
With donor restrictions	3,241
	<u>\$ 79,060</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

1. Organization and Principles of Consolidation (continued)

The following table summarizes amounts attributable to Mather from the Acquisition Date through December 31, 2018 that are included in the accompanying 2018 consolidated statements of operations and changes in net assets:

	Year Ended December 31, 2018
Total operating revenue	\$ 376,577
Total operating expenses	372,052
Excess of operating revenue over operating expenses	4,525
Total non-operating gains and losses	1,935
Excess of revenue and gains and losses over expenses	<u>\$ 6,460</u>
Change in net assets:	
Net assets without donor restrictions	\$ 3,637
Net assets with donor restrictions	(824)
Total change in net assets	<u>\$ 2,813</u>

The following table represents unaudited pro forma financial information for Northwell, assuming the acquisition of Mather had taken place on January 1, 2017. The unaudited pro forma financial information excludes the contribution received in the acquisition of Mather and is not necessarily indicative of the results of operations as they would have been had the transaction been effected on January 1, 2017.

	Year Ended December 31	
	2018	2017
Total operating revenue	\$ 11,565,912	\$ 11,164,036
Total operating expenses	11,431,517	11,183,845
Excess (deficiency) of operating revenue over operating expenses	134,395	(19,809)
Total non-operating gains and losses	(187,320)	315,110
(Deficiency) excess of revenue and gains and losses over expenses	<u>\$ (52,925)</u>	<u>\$ 295,301</u>
Change in net assets:		
Without donor restrictions	\$ (46,104)	\$ 284,613
With donor restrictions	4,521	55,574
Total change in net assets	<u>\$ (41,583)</u>	<u>\$ 340,187</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Principles of Consolidation (continued)

In addition to the Mather acquisition, during 2018 and 2017, Northwell acquired various physician practices and other health providers. These acquisitions were accounted for as business combinations. Assets acquired during 2018 and 2017 were approximately \$100,000 and \$60,000, respectively. Incremental revenue recorded in 2018 and 2017 attributable to entities acquired during each year was approximately \$80,000.

Sale of Broadlawn

In November 2017, The Long Island Home closed on an agreement to sell the assets of Broadlawn Manor Nursing and Rehabilitation Center to an independent operator of skilled nursing facilities for approximately \$54,000. As part of the sale, \$21,080 of property, plant and equipment, net was transferred to the purchaser. A portion of the sale proceeds were used to pay off existing long-term debt of \$23,792 of The Long Island Home. As a result of the sale, a gain of \$32,252 was recognized within the other operating revenue line of the accompanying consolidated statement of operations for the year ended December 31, 2017.

Health Insurance Companies

In July 2017, Health Plan filed a termination plan with the New York State Department of Health (NYSDOH). Under the termination plan, which was approved by the NYSDOH in September 2017, Health Plan ceased new enrollment in its Medicaid Managed Long-Term Care Plan and, by January 2018, had transitioned its existing members to other plans. Health Plan expects the wind down of operations to be completed by the end of 2019, including the payment of remaining claim liabilities.

In August 2017, Northwell announced that it would wind down CareConnect and withdraw from New York State's insurance markets. The New York State Department of Financial Services approved CareConnect's plan which allowed CareConnect to stop writing and renewing annual large and small group policies effective December 1, 2017 and individual policies effective January 1, 2018. As no new policies were to be written in 2018, and the health insurance premium revenue to be earned on existing policies was not expected to be sufficient to cover medical claims and other expenses incurred during the wind down of CareConnect, a premium deficiency reserve of \$38,513 was recorded in 2017 and included within accounts payable and accrued expenses in the accompanying consolidated statement of financial position and within Health Insurance Companies operating expenses in the accompanying consolidated statement of operations for the year ended December 31, 2017. As of December 31, 2018, \$11,191 remains accrued for the estimated expenses to complete the wind down of CareConnect.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Principles of Consolidation (continued)

As a result of Northwell's decision to exit the health insurance business, the net operating results of CareConnect and Health Plan (collectively, the Health Insurance Companies) are separately reported within the accompanying consolidated statements of operations for the years ended December 31, 2018 and 2017. See Note 2 for further information regarding health insurance premium revenue and the impact of the Affordable Care Act (ACA) risk adjustment program, as well as medical claims expense for the Health Insurance Companies.

2. Summary of Significant Accounting Policies

Consolidated Statements of Operations

The accompanying consolidated statements of operations include the excess of revenue and gains and losses over expenses as the performance indicator. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and operating expenses; peripheral or incidental transactions and unusual, nonrecurring items are reported as non-operating gains and losses.

Net assets released from restrictions for capital asset acquisitions, the change in fair value of interest rate swap agreements designated as cash flow hedges, pension and other postretirement liability adjustments and other changes in net assets are excluded from Northwell's performance indicator.

Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014-09, *Revenue from Contracts with Customers*. The FASB codified ASU 2014-09 in the Accounting Standards Codification (ASC) as Topic 606. 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 previous revenue recognition requirements and most industry-specific guidance. The provisions of ASU 2014-09 became effective for Northwell for annual reporting periods after December 15, 2017.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Effective January 1, 2018, Northwell adopted ASU 2014-09 following the full retrospective method of application. As a result, at the adoption of ASU 2014-09, the majority of what was previously classified as the provision for bad debts (which would have been approximately \$120,000 for the year ended December 31, 2018) is now reflected as an implicit price concession (as defined in ASU 2014-09) and therefore is included as a reduction to net patient service revenue and physician practice revenue in the accompanying consolidated statements of operations. For the year ended December 31, 2017, the comparable amount (approximately \$122,000) has been reclassified to conform to the current year presentation. For changes in credit status relating to third-party payers not identified at the date of service, Northwell will recognize those amounts as bad debt expense. Bad debt expense is now included as a component of supplies and expenses in the accompanying consolidated statements of operations. Other aspects of Northwell's implementation of ASU 2014-09 impacting net patient service revenue and physician practice revenue, which include judgments regarding collections and the addition of certain qualitative and quantitative disclosures, are reflected in Note 3. The adoption of ASU 2014-09 in relation to other applicable revenue activity did not have a material impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changes how not-for-profit entities report net asset classes, expenses, and liquidity in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2017. Northwell adopted ASU 2016-14, effective December 31, 2018. The adoption resulted in the presentation of two classes of net assets, those without donor restrictions which were previously presented as unrestricted net assets, and those with donor restrictions which were previously presented as temporarily and permanently restricted net assets. Not-for-profits are also required to report all expenses by both functional and natural classification in one location. Additionally, ASU 2016-14 requires additional disclosures around liquidity, which have been included in Note 4. The effects of the adoption of ASU 2016-14 were applied retrospectively, except for disclosure of expenses by both natural and functional classification and the disclosures about liquidity, as permitted by ASU 2016-14. The adoption of ASU 2016-14 had no impact on the total net assets previously reported by Northwell as of December 31, 2017.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other*. ASU 2017-04 simplifies the accounting for goodwill impairment and removes Step 2 of the goodwill impairment test, which required a hypothetical purchase price allocation. Under ASU 2017-04, a goodwill impairment charge is recognized for the amount by which the carrying value of a reporting unit exceeds its fair value, not to exceed the carrying amount of goodwill. Northwell adopted 2017-04 in 2018 with no impact to the consolidated financial statements, as there were no indicators of impairment.

Other Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Under ASU 2016-01, certain investments in limited partnerships and similar entities that are accounted for at cost, less impairment, will now generally need to be recorded at fair value. The standard also allows entities that are not public business entities, among other things, to no longer disclose the fair value and significant assumptions used to estimate the fair value of certain financial instruments carried at amortized cost. The standard is effective for fiscal years beginning after December 15, 2018 for non-public business entities. Northwell early adopted the provision of the standard that eliminates the disclosure requirement for the fair value of long-term debt in 2017. The other provisions of the standard that are not eligible for early adoption are not expected to have a significant impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires the rights and obligations arising from the lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the statements of financial position, including both finance and operating leases. ASU 2016-02 will require 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. ASU 2016-02 is effective for Northwell 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 financial statement footnotes. Northwell does not expect to have any transition adjustments having a material impact on the consolidated statement of operations.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities. This guidance will likely result in more grants and contracts being accounted for as contributions rather than exchange transactions. The standard clarifies the guidance on how entities determine when a contribution is conditional. The clarified guidance applies to all entities (including business entities) that make or receive contributions, except for certain transactions such as transfers of assets business entities receive from government entities (e.g., a government grant to a for-profit biotechnology company). The provisions of ASU 2018-08 are effective for annual periods beginning after June 15, 2018 and including interim periods within those annual periods. Early adoption is permitted. Amendments 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. Northwell is currently evaluating the potential 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*, which aligns the requirements 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 the standard. ASU 2018-15 will require an entity (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. ASU 2018-15 also requires the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The amendments in this Update also require the entity to present the expense related to the capitalized implementation costs in the same line item in the statements of operations as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalized implementation costs in the statements of cash flows in the same manner as payments made for fees associated with the hosting element. The entity is also required to present the capitalized implementation costs in the statements of financial position in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented. The amendments in ASU 2018-15 are effective for annual reporting periods beginning after December 15, 2020, and interim

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

periods thereafter. Early adoption is permitted. The amendments should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Northwell has not completed the process of evaluating the impact of ASU 2018-15 on its consolidated financial statements.

Use of Estimates

The preparation of 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, including accounts receivable for services to patients, and liabilities, including accounts payable and accrued expenses, estimated payables to third-party payers, accrued retirement benefits and malpractice and other insurance liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

During 2018 and 2017, Northwell revised certain estimates made in prior years to reflect the passage of time and the availability of more recent information. For the year ended December 31, 2018, the net change in estimates related to prior years, excluding the Health Insurance Companies, was not significant. For the year ended December 31, 2017, the net change in estimates related to prior years, excluding the Health Insurance Companies, resulted in a decrease in liabilities by approximately \$50,000 due to a reduction in estimated payables to third-party payers (see Note 3). For the Health Insurance Companies, the net change in estimates related to prior years resulted in an increase in liabilities of approximately \$30,000 for the year ended December 31, 2018, mainly related to the Affordable Care Act risk adjustment program, and a decrease in liabilities of approximately \$20,000 for the year ended December 31, 2017.

Cash and Cash Equivalents

Northwell classifies all highly liquid financial instruments purchased with a maturity of three months or less, other than those held in the investment portfolio, as cash equivalents. Northwell maintains cash on deposit with major banks and invests in money market securities with financial institutions which exceed federally-insured limits. Management believes the credit risk related to these deposits is minimal. Northwell does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Pledges Receivable

Pledges (promises to give), less an allowance for uncollectible amounts, are recorded as receivables in the year made at net present value and are recorded as additions to net assets with donor restrictions. Pledges receivable that are due more than one year from the statement of financial position date are discounted to reflect the present value of future cash flows.

Investments

Short-term and long-term investments include marketable securities and other investments. Marketable securities are classified as trading securities. Investments in debt securities, equity securities and mutual funds with readily determinable fair values are reported at fair value, based on quoted market prices.

Northwell has also invested in alternative investments, including funds of hedge funds, hedge funds, private equity funds and private real estate funds. These other investments are not readily marketable and are reported under the equity method of accounting, which approximates fair value. The equity method reflects Northwell's share of the net asset value of the respective funds.

Individual investment holdings of the funds of hedge funds, hedge funds, private equity funds and private real estate funds may include investments in both nonmarketable and market-traded securities. Valuations of these investments, and therefore Northwell's holdings, may be determined by the investment managers or general partners. Values may be based on estimates that require varying degrees of judgment. Recorded estimates may change by a material amount in the near term. The investments may indirectly expose Northwell to securities lending, short sales of securities and trading in futures and forwards contracts, options and other derivative products. However, Northwell's risk is limited to its amounts invested. At December 31, 2018, Northwell has future commitments of \$130,680 and \$19,681 to invest in private equity and private real estate funds for pension and restricted assets, respectively.

Other investments also include non-controlling interests in non-clinical joint ventures held by Northwell for investment purposes. Such investments are accounted for under the equity method or cost method of accounting.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Northwell is also invested in commingled fixed income, equity and risk-parity funds. The underlying investment holdings of the commingled funds are predominantly marketable securities. These investments are reported either at fair value based on quoted market prices, if their fair values are readily determinable, or under the equity method of accounting, which approximates fair value. The equity method reflects Northwell's share of the net asset value of these investments.

The financial statements of the alternative investments and commingled fixed income, equity and risk-parity funds noted above are audited annually by independent auditors, although the timing for reporting the results of such audits for certain investments does not coincide with Northwell's annual financial statement reporting.

Included in investments are assets limited as to use, which include funds held pursuant to debt financing arrangements, internally designated funds (including internally designated malpractice and other self-insurance assets), deferred employee and other retirement plan assets and donor restricted assets. Northwell has future commitments of approximately \$144,000 at December 31, 2018 to purchase additional investments for these purposes. Amounts required to meet current liabilities are reported as short-term investments.

Investment income (including realized gains and losses on investments, interest and dividends) and the change in net unrealized gains and losses and change in value of equity method investments are included in the performance indicator, unless the income or loss is restricted by donor or law. Interest and dividend income earned on Northwell's internally designated malpractice and other self-insurance assets is recorded in other operating revenue.

Inventory of Supplies

Inventory, included in other current assets, is stated at the lower of cost and net realizable value.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Insurance Claims Receivable and Liability

For medical malpractice and similar contingent liabilities, Northwell determines such claims liabilities without consideration of insurance recoveries. Accordingly, Northwell recognizes insurance receivables at the same time that it recognizes the liabilities, measured on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible amounts in the accompanying consolidated statements of financial position. Such amounts represent the actuarially determined present value of medical malpractice and other claims that are anticipated to be covered by insurance, discounted at a rate of 2.0%.

Property, Plant and Equipment

Property, plant and equipment is stated at cost or, in the case of gifts, at fair value at the date of the gift, less accumulated depreciation and amortization. Property, plant and equipment from acquired entities that existed at their respective acquisition dates was recorded at fair value based upon an independent valuation. Depreciation and amortization of land improvements, buildings, fixed equipment and major movable equipment is computed by the straight-line method based upon the estimated useful lives of the assets, ranging from three to forty years.

Equipment under capital lease obligations and leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the asset or the lease term. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements.

During the period of construction of capital assets, interest costs are capitalized as a component of the cost of assets. When assets are disposed of, the carrying amounts of the assets and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss on disposal is included in the performance indicator. When assets become fully depreciated, the carrying amounts of such assets and the related accumulated depreciation are removed from the accounts (see Note 6).

Long-Lived Assets

Gifts of long-lived assets are reported at fair value established at the date of contribution as changes in net assets without donor restrictions, excluded from the performance indicator, unless explicit donor stipulations specify how the donated asset must be used.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If long-lived assets are deemed to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or the fair value, less costs to sell.

Other Assets

Other assets included in the accompanying consolidated statements of financial position primarily consist of goodwill, other intangible assets and investments in clinical joint ventures.

In connection with various acquisitions, Northwell has recognized certain indefinite-lived intangible assets totaling approximately \$241,000 and \$133,000 at December 31, 2018 and 2017, respectively. The intangible assets are subject to impairment testing on an annual basis. At December 31, 2018 and 2017, Northwell determined that there has been no impairment of these intangible assets.

Deferred Financing Costs

Deferred financing costs, included in long-term debt and capital lease obligations, represent costs incurred to obtain financing for various Northwell projects and initiatives. Amortization of these costs is provided over the term of the applicable indebtedness.

Interest Rate Swap Agreements

Interest rate swap agreements are reported at fair value. Fair value is estimated using discounted cash flow analyses based on current and projected interest rates with consideration of the risk of non-performance. Changes in fair value of interest rate swap agreements designated as derivative instruments are recognized in Northwell's performance indicator. Changes in fair value of interest rate swap agreements designated as cash flow hedges are excluded from the performance indicator.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Other Long-Term Liabilities

Other long-term liabilities included in the accompanying consolidated statements of financial position primarily consist of the long-term portion of estimated payables to third-party payers, deferred rent payable, the long-term portion of the obligation related to the revised Optum360 agreement (see Note 1), deferred revenue and the fair value of the interest rate swap agreements.

Classification of Net Assets

Northwell separately accounts for and reports net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by an agreement between Northwell and an outside party other than the donor or grantor. Net assets with donor restrictions are those whose use by Northwell has been limited by donors to a specific time period or purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, these net assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Certain net assets with donor restrictions have been restricted by donors to be maintained in perpetuity. Income from these net assets is available to support certain teaching, research and training programs.

Donor Gifts

Gifts of cash and other assets, including unconditional promises to give cash and other assets (pledges), are reported at fair value when the gift is received (or promise is made). Donor-restricted contributions whose restrictions are met within the same year as received are classified as contributions without donor restrictions in the accompanying consolidated financial statements. Northwell receives conditional pledges, which are not reflected in the accompanying consolidated financial statements. The conditional pledges primarily relate to the establishment of certain programs. As the conditions of the pledges are met, the pledges are recognized. At December 31, 2018 and 2017, \$48,083 and \$25,508, respectively, of conditional pledges have not been recognized in the consolidated statements of financial position.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Contributions and pledges raised through fundraising efforts for the years ended December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Without donor restrictions	\$ 2,478	\$ 4,581
With donor restrictions	99,942	113,497
	<u>\$ 102,420</u>	<u>\$ 118,078</u>

Health Insurance Premium Revenue

Health insurance premium revenue for the Health Insurance Companies was earned over the term of the related insurance policies and recorded in the month for which members were entitled to health care services at estimated net realizable value. Included in the Health Insurance Companies operating revenue line in the accompanying consolidated statements of operations for the years ended December 31, 2018 and 2017 is \$44,779 and \$812,920, respectively, of health insurance premium revenue. Included in other current assets in the accompanying consolidated statement of financial position at December 31, 2017 is \$16,337 of health insurance premium receivables (none at December 31, 2018 due to the wind-down of the Health Insurance Companies as noted in Note 1).

Affordable Care Act Risk Adjustment Program

The ACA risk adjustment program intends to reallocate funds from insurers with lower risk populations to insurers with higher risk populations, based on the relative risk scores of participants in non-grandfathered plans in the individual and small group markets, both on and off the health insurance exchanges. Included in the current portion of estimated payables to third-party payers in the accompanying consolidated statements of financial position at December 31, 2018 and 2017 is \$14,131 and \$95,845, respectively, related to CareConnect's estimated ACA risk adjustment program liability. Due to the limited publicly available information, such estimates could change in the future as more information becomes known and, as a result, there is at least a reasonable possibility that the recorded estimate may change by a material amount in the near term. Increases to the ACA risk adjustment program liability are recorded as a reduction of health insurance premium revenue included within the Health Insurance Companies operating revenue line in the

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

accompanying consolidated statements of operations. Health insurance premium revenue was reduced by \$39,109 and \$106,974 for the years ended December 2018 and 2017, respectively, related to the ACA risk adjustment program.

Medical Claims Expense and Accrued Medical Claims

The Health Insurance Companies contracted with various health care providers, including Northwell, to provide care to their members. The Health Insurance Companies compensate these providers on either a capitated or fee-for-service basis. The cost of health care services is accrued in the period provided to enrollees and includes estimates for such services which have been incurred but not reported. Adjustments to these estimates are recorded in future periods as amounts become known. Included in the Health Insurance Companies operating expenses line in the accompanying consolidated statements of operations for the years ended December 31, 2018 and 2017 is \$65,225 and \$809,224, respectively, of medical claims expense, inclusive of Northwell's cost to care for members served at its facilities.

Included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position at December 31, 2018 and 2017 is \$13,584 and \$76,709, respectively, of accrued medical claims liability, net of amounts payable to Northwell for services to members at its facilities.

Functional Expenses

Northwell provides health care services to residents primarily within its geographic areas. Expenses related to providing these services, including the expenses of the Health Insurance Companies, pertain to the following functional and natural categories for the year ended December 31, 2018:

	Health Care Services	Research	General and Administrative	Total
Salaries	\$ 5,167,503	\$ 72,214	\$ 625,598	\$ 5,865,315
Employee benefits	1,182,211	19,941	148,022	1,350,174
Supplies and expenses	3,189,571	53,874	350,668	3,594,113
Depreciation and amortization	302,098	6,324	166,833	475,255
Interest	130,690	-	15,970	146,660
	<u>\$ 9,972,073</u>	<u>\$ 152,353</u>	<u>\$ 1,307,091</u>	<u>\$ 11,431,517</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Prior to the adoption of ASU 2016-14, operating expenses for the year ended December 31, 2017, including the expenses of the Health Insurance Companies, included \$9,594,464 related to health care services (including research) and \$1,222,120 related to general and administrative expenses.

Gain on Sale of Property

As a result of a prior year donation, Northwell held title to a remainder interest in a property located in Brea, California. In June 2018, the property was sold and Northwell recognized a \$65,723 gain on sale of property for its share of the sale proceeds received.

Tax Status

Certain entities included in Northwell's consolidated financial statements are taxable entities under Federal or state laws. U.S. generally accepted accounting principles require that the asset and liability method of accounting for income taxes be utilized by these organizations and for unrelated business activities of the tax-exempt entities included in Northwell's consolidated financial statements. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

The effect on deferred taxes of a change in tax rates is recognized in income in the period of enactment. At December 31, 2018 and 2017, Northwell has a deferred income tax asset of approximately \$118,000 and \$123,000, respectively, both of which have been fully offset by a related valuation allowance. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Significant components of the deferred tax asset relate to net operating loss (NOL) carryforwards. Certain entities have NOL carryforwards aggregating approximately \$559,000 at December 31, 2018. NOL carryforwards generated prior to 2018 will expire in varying amounts through 2037 and are available to offset future taxable income of the respective entity. Under the Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017, NOLs generated after 2017 can be carried forward indefinitely, but the TCJA placed limitations on how these NOL carryforwards can be used.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Regulations necessary to implement certain other aspects of TCJA are expected to be promulgated by the Internal Revenue Service (IRS) in 2019. As of and for the year ended December 31, 2018, Northwell has made reasonable estimates for the impact of the TCJA, which was not significant to the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the amounts previously reported in the 2017 consolidated statement of operations and in the 2017 fair value disclosures reported in Notes 8 and 9 to conform with the 2018 presentation.

3. Accounts Receivable and Patient Revenue

As a result of the adoption of ASU 2014-09, net patient service revenue and physician practice revenue (collectively, Patient Revenue) are reported at the amount that reflects the consideration to which Northwell expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payers (including health insurers and government programs) and include various elements of variable consideration in determining a transaction price.

Northwell 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 Patient Revenue. Based on historical collection trends and other analyses, Northwell believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Northwell'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 Northwell's standard charges. Northwell determines the transaction price associated with services provided to patients who have third-party payer coverage on the basis of contractual rates, governmental rates or established charges for the services rendered. The estimates for contractual allowances and discounts are based on contractual agreements, Northwell's discount policies and historical experience. For uninsured patients who are ineligible for any government assistance program, Northwell provides services without charge or at amounts less than its established rates for patients

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

who meet the criteria of its charity care policy. Because Northwell does not pursue collection of amounts determined to qualify as charity care, such services are not reported as Patient Revenue. For uninsured and under-insured patients who do not qualify for charity care, Northwell 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 Northwell's historical collection experience for applicable patient portfolios.

Generally, Northwell bills patients and third-party payers several days after the services are performed and/or the patient is discharged. Patient Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Northwell. Patient Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Northwell believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in Northwell's outpatient and ambulatory care centers. Northwell measures the performance obligation from admission into the hospital or the commencement of an outpatient or physician 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 or physician visit.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, Northwell 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 below 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). As such, accounts receivable related to in-house patients are considered contract assets as the performance obligation is not completed until the patients are discharged, which for the majority of the in-house patients occur within days or weeks after the end of the reporting period and at which point Northwell has the right to bill.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

At December 31, 2018 and 2017, accounts receivable for services to patients, net is comprised of the following components:

	<u>2018</u>	<u>2017</u>
Receivables for services to patients	\$ 1,057,798	\$ 1,021,147
Contract assets (for in-house patients)	72,527	73,437
	<u>\$ 1,130,325</u>	<u>\$ 1,094,584</u>

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to Patient Revenue in the period of the change. For the years ended December 31, 2018 and 2017, changes in Northwell's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated periodically 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 in supplies and expenses in the accompanying consolidated statements of operations for the years ended December 31, 2018 and 2017. Bad debt expense and the related allowance for uncollectible accounts for the years ended and as of December 31, 2018 and 2017 were not significant.

Northwell has determined that the nature, amount, timing and uncertainty of revenue and cash flows are primarily affected by its mix of payers.

Patient Revenue for the years ended December 31, 2018 and 2017, by payer, is approximately as follows:

	<u>2018</u>	<u>2017</u>
Medicare and Medicare managed care	\$ 3,598,000	\$ 3,110,000
Medicaid and Medicaid managed care	1,548,000	1,447,000
Self-pay	87,000	82,000
Other third-party payers	5,384,000	4,616,000
	<u>\$ 10,617,000</u>	<u>\$ 9,255,000</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

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

Patient Revenue for the years ended December 31, 2018 and 2017, disaggregated by lines of service, is as follows:

	<u>2018</u>	<u>2017</u>
Hospitals	\$ 8,512,094	\$ 7,560,707
Physician practice revenue	1,854,861	1,471,198
Joint venture ambulatory surgery centers	63,382	51,484
Stern (skilled nursing facility and rehabilitation center)	56,727	55,387
Hospice Care Network	50,237	51,262
RegionCare, Inc.	51,745	45,948
Other	27,937	19,327
	<u>\$ 10,616,983</u>	<u>\$ 9,255,313</u>

Northwell 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 Northwell's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, Northwell 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.

Third-Party Payment Programs

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

Non-Medicare Reimbursement

In New York State, hospitals and all non-Medicare payers, except Medicaid, workers' compensation and no-fault insurance programs, negotiate 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 NYSDOH. Payments to hospitals for Medicaid, workers' compensation and no-fault inpatient services are based on a statewide rate, with retroactive adjustments for certain rate components paid concurrently with the settlement of the final rate. 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 Northwell 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.

Medicare Reimbursement

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

Northwell has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payers for adjustments to current and prior years' payment rates, based on industry-wide and Northwell-specific data. The current Medicaid, Medicare and other third-party payer programs are based upon extremely complex laws and regulations that are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Northwell is not aware of any allegations of noncompliance 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. Medicare cost reports, which are filed individually by the applicable Northwell entities and serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through years ranging from 2000 to 2017. Other years remain open for audit and settlement, as do certain 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 and additional information is obtained.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

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

Settlements with third-party payers 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 Patient Revenue. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and Northwell'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. Changes in estimates relating to prior year settlements were not significant for the year ended December 31, 2018 and resulted in a decrease in liabilities by approximately \$50,000 for the year ended December 31, 2017.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

Northwell grants credit without collateral to its patients, most of whom are insured under various third-party agreements. The significant concentrations of accounts receivable for services to patients at December 31, 2018 and 2017 were as follows:

	December 31	
	2018	2017
Medicare and Medicare managed care	33%	33%
Medicaid and Medicaid managed care	20	21
Self-pay	5	6
Other third-party payers	42	40
	100%	100%

Charity Care

Together, charity care, implicit price concessions and bad debt expense represent uncompensated care. The estimated cost of total uncompensated care was approximately \$340,000 for each of the years ended December 31, 2018 and 2017. The estimated cost of charity care provided was approximately \$250,000 for each of the years ended December 31, 2018 and 2017. The estimated cost of uncompensated care and charity care is based on the ratio of cost to charges, as determined using Northwell-specific data.

The 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, Northwell received \$69,040 and \$60,550, respectively. Northwell made payments into the Pool of \$54,752 and \$50,863 for the years ended December 31, 2018 and 2017, respectively, for the 1% assessment.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Cash, Investments and Liquidity

Northwell's cash and investments are reported in the consolidated statements of financial position as presented below at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 538,964	\$ 399,856
Short-term investments	2,581,695	2,689,489
Long-term investments	<u>2,066,327</u>	<u>2,279,855</u>
Total cash and investments	5,186,986	5,369,200
Less assets limited as to use:		
Management designated malpractice and other self-insurance assets	965,846	762,473
Other management designated assets*	644,575	1,092,743
Donor restricted assets	265,897	268,553
Deferred employee compensation plan assets	184,400	174,495
Assets under bond indentures and other	<u>75,195</u>	<u>87,450</u>
Total assets limited as to use	<u>2,135,913</u>	<u>2,385,714</u>
Total unrestricted cash and investments	<u>\$ 3,051,073</u>	<u>\$ 2,983,486</u>

*Other management designated assets include sinking funds established to repay Northwell's taxable debt and proceeds from taxable bond issues and other amounts designated to fund future capital expenditures and investments.

The total unrestricted cash and investments is used in Northwell's days cash on hand calculation, a required financial ratio for certain debt compliance covenants (see Note 7).

Short-term investments include \$166,290 and \$216,415 of assets limited as to use at December 31, 2018 and 2017, respectively. Long-term investments include \$1,969,623 and \$2,169,299 of assets limited as to use at December 31, 2018 and 2017, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Cash, Investments and Liquidity (continued)

Cash and cash equivalents, short-term investments and long term-investments, stated at fair value or under the equity or cost method of accounting as applicable based on the appropriate measurement basis as described in Note 2, consist of the following at December 31, 2018:

	Total	Unrestricted Cash and Investments	Assets Limited as to Use
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 961,646	\$ 847,903	\$ 113,743
U.S. Government obligations	356,098	296,086	60,012
Corporate and other bonds	440,259	407,154	33,105
Fixed income mutual funds	339,731	231,566	108,165
Commingled fixed income funds	646,314	284,813	361,501
Equity securities	703,431	615,163	88,268
Equity mutual funds	555,495	360,623	194,872
Commingled equity funds	183,742	-	183,742
Target-age mutual funds	50,440	-	50,440
Commingled risk-parity funds	199,953	-	199,953
Funds of hedge funds	530,197	-	530,197
Hedge funds	446	-	446
Private equity funds	15,351	-	15,351
Private real estate funds	4,992	-	4,992
Non-clinical joint venture investments	170,935	-	170,935
Interest and other receivables	27,956	7,765	20,191
	\$ 5,186,986	\$ 3,051,073	\$ 2,135,913

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Cash, Investments and Liquidity (continued)

Cash and cash equivalents, short-term investments and long term-investments, stated at fair value or under the equity or cost method of accounting as applicable based on the appropriate measurement basis as described in Note 2, consist of the following at December 31, 2017:

	Total	Unrestricted Cash and Investments	Assets Limited as to Use
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 828,887	\$ 747,177	\$ 81,710
U.S. Government obligations	430,829	325,057	105,772
Corporate and other bonds	314,095	241,836	72,259
Fixed income mutual funds	466,595	345,685	120,910
Commingled fixed income funds	679,434	152,770	526,664
Equity securities	804,877	714,331	90,546
Equity mutual funds	671,122	450,892	220,230
Commingled equity funds	222,094	–	222,094
Target-age mutual funds	44,410	–	44,410
Commingled risk-parity funds	191,131	–	191,131
Funds of hedge funds	493,710	–	493,710
Hedge funds	993	–	993
Private equity funds	11,866	–	11,866
Private real estate funds	4,329	–	4,329
Non-clinical joint venture investments	196,170	–	196,170
Interest and other receivables	8,658	5,738	2,920
	<u>\$ 5,369,200</u>	<u>\$ 2,983,486</u>	<u>\$ 2,385,714</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Cash, Investments and Liquidity (continued)

Investment income and the change in net unrealized gains and losses and change in value of equity method investments are comprised of the following for the years ended December 31, 2018 and 2017:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income:			
Interest and dividend income	\$ 48,466	\$ 2,871	\$ 51,337
Net realized gains and losses	97,401	10,508	107,909
Less interest and dividend income on malpractice and other self-insurance assets (included in other operating revenue)	(15,771)	–	(15,771)
	<u>\$ 130,096</u>	<u>\$ 13,379</u>	<u>\$ 143,475</u>
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	\$ (259,401)	\$ (19,525)	\$ (278,926)
Equity method investment losses	(69,530)	(2,206)	(71,736)
	<u>\$ (328,931)</u>	<u>\$ (21,731)</u>	<u>\$ (350,662)</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income:			
Interest and dividend income	\$ 41,571	\$ 2,592	\$ 44,163
Net realized gains and losses	81,349	9,053	90,402
Less interest and dividend income on malpractice and other self-insurance assets (included in other operating revenue)	(13,869)	–	(13,869)
	<u>\$ 109,051</u>	<u>\$ 11,645</u>	<u>\$ 120,696</u>
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	\$ 181,740	\$ 14,869	\$ 196,609
Equity method investment gains	99,780	6,426	106,206
	<u>\$ 281,520</u>	<u>\$ 21,295</u>	<u>\$ 302,815</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

4. Cash, Investments and Liquidity (continued)

Liquidity

Financial assets available for general expenditure within one year of the consolidated statement of financial position date consist of the following at December 31, 2018:

Cash and cash equivalents	\$ 538,964
Short-term investments	2,415,405
Accounts receivable for services to patients, net	1,130,325
Accounts receivable for physician activities, net	205,422
	<u>\$ 4,290,116</u>

In addition to the assets above, Northwell also has assets limited as to use of \$166,290 included within short-term investments on the accompanying consolidated statement of financial position at December 31, 2018 which are designated to be used within the next year. Also, included within long-term investments on the accompanying consolidated statement of financial position at December 31, 2018 are certain management designated assets limited as to use not currently available for general expenditure within the next year, but which could be made available if necessary. Refer to Note 2 for further discussion of assets limited as to use.

As part of Northwell's liquidity management plan, cash in excess of daily requirements is invested in marketable securities and other investments.

Additionally, Northwell has entered into various unsecured revolving credit facilities with commercial banks, as discussed in more detail in Note 7. As of December 31, 2018, \$188,500 remained available on such arrangements.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

5. Pledges Receivable

Pledges receivable at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Amounts expected to be collected in:		
Less than one year	\$ 80,032	\$ 78,943
One to five years	105,910	134,663
More than five years	31,646	37,608
	<u>217,588</u>	<u>251,214</u>
Less:		
Discount to present value future cash flows (discount rates ranging from 0.75% to 4.68%)	15,588	16,663
Allowance for uncollectible amounts	35,264	44,829
Current portion of pledges receivable	67,590	63,459
Pledges receivable, net of current portion	<u>\$ 99,146</u>	<u>\$ 126,263</u>

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization at December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 774,496	\$ 752,101
Land improvements	27,915	28,122
Buildings and fixed equipment	4,228,163	3,916,466
Movable equipment	1,950,463	1,768,414
Leasehold improvements	32,843	29,417
	<u>7,013,880</u>	<u>6,494,520</u>
Less accumulated depreciation and amortization	2,337,482	2,133,002
	<u>4,676,398</u>	<u>4,361,518</u>
Construction-in-progress	716,164	572,697
	<u>\$ 5,392,562</u>	<u>\$ 4,934,215</u>

Northwell wrote off approximately \$271,000 and \$282,000 of fully depreciated assets in 2018 and 2017, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

6. Property, Plant and Equipment (continued)

Net interest capitalized for the years ended December 31, 2018 and 2017 was approximately \$13,000 and \$14,000, respectively.

Certain leases are considered to be the equivalent of installment purchases for purposes of accounting presentation. The liabilities relating to these assets are included in capital lease obligations. The cost, less accumulated amortization, of these assets is included in property, plant and equipment at December 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 56,640	\$ 56,640
Buildings and fixed equipment	77,461	77,461
Movable equipment	24,448	10,237
	<u>158,549</u>	<u>144,338</u>
Less accumulated amortization	13,773	8,303
	<u>\$ 144,776</u>	<u>\$ 136,035</u>

7. Debt

Long-Term Debt

Long-term debt at December 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Bonds payable at varying dates through November 2047, at fixed and variable interest rates ranging from 3.00% to 6.15%	\$ 2,666,010	\$ 2,669,270
Other long-term debt payable at varying dates through August 2051 at variable and fixed interest rates ranging from 2.00% to 4.46%	581,164	590,876
Total long-term debt	<u>3,247,174</u>	<u>3,260,146</u>
Less current portion of bonds payable	37,538	33,159
Less current portion of other long-term debt	17,931	15,685
Less net unamortized debt issuance costs	23,393	24,951
Add net unamortized bond premium	30,727	33,932
	<u>\$ 3,199,039</u>	<u>\$ 3,220,283</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Debt (continued)

Annual aggregate principal payments applicable to long-term debt for years subsequent to December 31, 2018 are as follows:

	Bonds Payable	Other Long-Term Debt	Total
Year ended December 31:			
2019	\$ 37,538	\$ 17,931	\$ 55,469
2020	40,116	17,185	57,301
2021	30,584	28,669	59,253
2022	31,682	30,587	62,269
2023	30,590	28,939	59,529
Thereafter	2,495,500	457,853	2,953,353
	<u>\$ 2,666,010</u>	<u>\$ 581,164</u>	<u>\$ 3,247,174</u>

Most of Northwell's debt arrangements include security agreements of various types. The agreements include, among other provisions, the pledging as collateral certain assets and revenues, and limitations on the use of assets, including restrictions on the transfer of assets to entities outside Northwell. At December 31, 2018 and 2017, the majority of Northwell's assets were pledged as collateral under the terms of various debt agreements. In addition, certain debt agreements contain covenants related to the maintenance of financial ratios, including debt service coverage ratios and days cash on hand, and the maintenance of certain debt service and other reserve funds included in assets limited as to use. At December 31, 2018 and 2017, Northwell was in compliance with the financial covenants.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Debt (continued)

Bonds Payable

Bonds payable by Northwell consist of the following at December 31, 2018:

	Interest Structure	Final Maturity	Outstanding Principal
Obligated Group			
Series 2017A (taxable)	Fixed	2047	\$ 956,919
Series 2016A (taxable)	Fixed	2046	500,000
Series 2015A	Fixed	2043	483,525
Series 2013A (taxable)	Fixed	2043	250,000
Series 2012A	Fixed	2023	20,415
Series 2012B (taxable)	Fixed	2042	135,000
Series 2009A	Fixed	2019	3,500
Series 2009B	Fixed	2039	50,000
Series 2009C	Fixed	2039	37,500
Series 2009D	Fixed	2039	37,500
Series 2009E	Fixed	2033	60,890
Other			
Phelps Series 2013 ^(b)	Fixed	2038	11,200
Phelps Series 2005 A and B ^(b)	Fixed	2030	17,010
Northern Westchester Series 2014 ^(c)	Fixed	2039	30,661
Northern Westchester Series 2009 ^(c)	Variable	2032	9,915
Northern Westchester Series 2004 ^(c)	Variable ^(a)	2024	6,510
Peconic Series A ^(d)	Variable ^(a)	2031	5,570
Peconic Series B ^(d)	Variable ^(a)	2031	10,895
Peconic Series D ^(d)	Variable ^(a)	2032	9,100
Mather Series 2013 ^(e)	Variable ^(a)	2043	21,265
Mather Series 2012 ^(e)	Variable ^(a)	2022	8,635
			<u>\$ 2,666,010</u>

^(a) Variable rate debt is swapped to a fixed rate via interest rate swap agreements.

^(b) Phelps is party to direct purchase agreements with a commercial bank expiring in 2025 and 2030 for its Series 2013 and Series 2005 A and B bonds, respectively.

^(c) Northern Westchester is party to direct purchase agreements with two commercial banks expiring in 2024 for its Series 2014 Series bonds. Northern Westchester's Series 2009 and 2004 bonds are backed by commercial bank direct pay letters of credit expiring in 2023 and 2021, respectively.

^(d) Peconic is party to a direct purchase agreement with a commercial bank expiring in 2022 for its three outstanding bond issues.

^(e) Mather is party to direct purchase agreements with a commercial bank expiring in 2023 and 2022 for its Series 2013 and 2012 bonds, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

7. Debt (continued)

The Series 2017A, 2016A, 2013A and 2012B bonds are taxable bonds and were each issued by HCI as a joint and several obligation of the Obligated Group. The bonds of Phelps, Northern Westchester, Peconic and Mather are tax-exempt and are not obligations of the Obligated Group. All other bonds are tax-exempt and were issued through the Dormitory Authority of the State of New York (DASNY) on behalf of the Obligated Group.

In September 2017, HCI issued \$956,919 of taxable Northwell Health Series 2017A bonds. The Series 2017A bonds were issued by HCI as a joint and several general obligation of the Obligated Group. The 2017A bonds bear interest at fixed rates, payable semi-annually, with a final maturity date of November 1, 2047. A portion of the proceeds of the Series 2017A bonds was used to refund \$341,490 in Series 2011A bonds of the Obligated Group. The remaining proceeds were or will be used for capital expenditures and investments. At December 31, 2018, approximately \$163,000 remains unexpended and is included in management designated assets limited as to use (see Note 4). A loss on refunding of long-term debt of \$42,619 resulted from the Series 2017A bond transaction.

For certain Obligated Group bonds that were included in Northwell's 2017 refunding transaction and a 2015 refunding transaction, funds were placed in escrow with a trustee to pay bondholders at future redemption dates. These funds and the liability for the corresponding bonds are excluded from Northwell's consolidated statements of financial position at December 31, 2018 and 2017. Outstanding principal amounts to be paid from escrow to bondholders are comprised of the following at December 31, 2018:

	Date of Final Redemption	Outstanding Principal
Series 2009A Bonds	May 1, 2019	\$ 200,955
Series 2011A Bonds	May 1, 2021	333,445
		<u>\$ 534,400</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Debt (continued)

Other Long-Term Debt

Other long-term debt consists of the following at December 31, 2018:

	Interest Structure	Final Maturity	Outstanding Principal
Obligated Group			
2014 Private Placement Notes Payable	Fixed	2030	\$ 250,000
Other			
LIJMC's Center for Advance Medicine			
Mortgage	Fixed	2045	199,967
Real Estate Financing	Fixed	2051	72,207
Staten Island Term Loan	Fixed	2023	18,000
Lenox Mortgage	Variable	2029	20,167
LIJMC Tax-Exempt Lease Financing	Fixed	2019	747
Phelps Mortgage	Fixed	2031	3,153
Northern Westchester Term Loan	Variable	2022	4,000
Peconic Loans	Variable	2027	6,961
Other Loans	Fixed	2024	5,962
			<u>\$ 581,164</u>

Capital Lease Obligations

Northwell has entered into various capital lease agreements for land, buildings and equipment. Capital lease obligations at December 31, 2018 and 2017 consist of the following:

	2018	2017
Minimum lease payments	\$ 386,210	\$ 384,049
Less interest	201,056	207,386
Less current portion at net present value	6,720	3,742
Present value of net minimum long-term lease payments	178,434	172,921
Less net unamortized issuance costs	985	1,048
	<u>\$ 177,449</u>	<u>\$ 171,873</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Debt (continued)

Future minimum lease payments under capital lease obligations as of December 31, 2018 are as follows:

Year ending December 31:	
2019	\$ 18,027
2020	17,568
2021	16,696
2022	15,505
2023	14,444
Thereafter	<u>303,970</u>
Total minimum lease payments	<u>\$ 386,210</u>

Short-Term Borrowings

Certain members of Northwell have entered into several unsecured revolving credit facilities with commercial banks with commitment availability through dates ranging from August 31, 2019 to August 31, 2021. Borrowings under these credit facilities are short-term and are primarily used to provide interim financing for capital improvement projects, with repayment to be provided from bond proceeds and/or the receipt of fundraising proceeds from capital campaigns. Additionally, amounts can be used to provide backup financing for the support of the certificate of need process as required by the NYSDOH and short-term working capital to support the monthly operating cash conversion cycle. Total credit available under such arrangements is \$292,000. Balances outstanding from these borrowings are \$103,500 and \$110,608 at December 31, 2018 and 2017, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

8. Fair Values of Financial Instruments

For assets and liabilities required to be measured at fair value, Northwell 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 Northwell'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.

Northwell 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, Northwell 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.

A financial instrument's categorization within the three levels of the valuation hierarchy is not indicative of the investment risk associated with the underlying assets.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of December 31, 2018 are classified in the following table in one of the three categories described previously:

	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 961,646	\$ —	\$ —	\$ 961,646
Fixed income obligations:				
U.S. Government obligations	100,189	255,909	—	356,098
Corporate and other bonds	—	440,259	—	440,259
Fixed income mutual funds	339,731	—	—	339,731
Equity securities:				
Value	288,137	—	—	288,137
Small cap	116,179	—	—	116,179
Global	206,806	—	—	206,806
Growth	92,309	—	—	92,309
Equity mutual funds	555,495	—	—	555,495
Commingled equity funds*	—	143,566	—	143,566
Target-age mutual funds	50,440	—	—	50,440
Interest and other receivables	27,956	—	—	27,956
Liabilities				
Interest rate swap agreements	—	(4,933)	—	(4,933)
	<u>\$ 2,738,888</u>	<u>\$ 834,801</u>	<u>\$ —</u>	<u>\$ 3,573,689</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of December 31, 2017 are classified in the following table in one of the three categories described previously:

	2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 828,887	\$ —	\$ —	\$ 828,887
Fixed income obligations:				
U.S. Government obligations	142,702	288,127	—	430,829
Corporate and other bonds	—	314,095	—	314,095
Fixed income mutual funds	466,595	—	—	466,595
Equity securities:				
Value	335,751	—	—	335,751
Small cap	126,259	—	—	126,259
Global	235,469	—	—	235,469
Growth	107,398	—	—	107,398
Equity mutual funds	671,122	—	—	671,122
Commingled equity funds*	—	176,032	—	176,032
Target-age mutual funds	44,410	—	—	44,410
Interest and other receivables	8,658	—	—	8,658
Liabilities				
Interest rate swap agreements	—	(5,699)	—	(5,699)
	<u>\$ 2,967,251</u>	<u>\$ 772,555</u>	<u>\$ —</u>	<u>\$ 3,739,806</u>

* Certain of Northwell's commingled equity fund investments are valued based on inputs not quoted in active markets, but corroborated by market data, while other commingled equity fund investments are recorded on the equity method of accounting and excluded from the fair value tables above.

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 investment.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

8. Fair Values of Financial Instruments (continued)

The amounts reported in the previous tables exclude investments reported under the equity method or cost method of accounting in the amounts of \$1,608,364 and \$1,623,695 at December 31, 2018 and 2017, respectively (see Note 2), and assets invested in Northwell's pension plans (see Note 9).

9. Pension Plans and Other Postretirement Benefits

Pension Plans

Northwell maintains several pension plans for its employees. The following are descriptions of such plans and the respective pension expense for the years ended December 31, 2018 and 2017.

Certain members of Northwell provide pension and similar benefits to their employees through defined contribution plans. Contributions to the defined contribution plans are based on percentages of annual salaries. It is the policy of these members to fund accrued costs under these plans on a current basis. Pension expense for 2018 and 2017 related to the defined contribution plans amounted to \$178,924 and \$154,533, respectively.

Certain members of Northwell contribute to various multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If Northwell stops participating in any of its multiemployer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

Northwell’s significant participation in certain multiemployer plans for the annual period ended December 31, 2018 is outlined in the following table. The following information for the 1199SEIU Health Care Employees Pension Fund (the 1199 Plan) and the New York State Nurses Association Pension Plan (the NYSNA Plan) is included within the table:

- a. The “EIN/Pension Plan Number” column provides the plans’ Employee Identification Number (EIN) and the three-digit plan number.
- b. The most recent “Pension Protection Act Zone Status” available in 2018 and 2017 is for a plan’s year-end at December 31, 2017 and 2016, respectively, and is based on information that Northwell 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.
- c. 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.
- d. 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 Status Pending/Implemented	Contributions of Northwell		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreements
		2018	2017		2018	2017		
1199 Plan ^(a)	13-3604862/001	Green	Green	N/A	\$ 75,873	\$ 69,056	No	3/31/2019 to 1/15/2022
NYSNA Plan ^(a)	13-6604799/001	Green	Green	N/A	\$ 13,678	\$ 12,784	No	12/31/2019 to 2/28/2022

^(a)Northwell contributions represent more than 5% of total contributions to the 1199 and NYSNA Plans for the plan years ended December 31, 2018 and 2017.

In addition to the plans noted in the table above, Northwell also participates in several other multiemployer plans. Contributions for these other plans totaled \$1,089 and \$1,154 for the years ended December 31, 2018 and 2017, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

Certain of Northwell's employees participate in deferred compensation plans. The liability for these plans totaled \$5,616 and \$8,396 at December 31, 2018 and 2017, respectively. In connection with these plans, Northwell deposits amounts with trustees on behalf of the participating employees. Under the terms of the plans, Northwell is not responsible for investment gains or losses incurred. The assets are restricted for payments under the plans, but may revert to Northwell under certain specified circumstances.

In addition, Northwell maintains various deferred compensation plans pursuant to Section 457(b) of the Code (the 457(b) Plans). Eligible employees may defer compensation under a salary reduction agreement, subject to certain dollar limitations. Non-elective employer contributions may also be made for some of the 457(b) Plans. Payments upon retirement or termination of employment are based on amounts credited to the individual accounts. The assets and corresponding liability for the 457(b) Plans, included in long-term investments and accrued retirement benefits in the accompanying consolidated statements of financial position, totaled \$178,784 and \$166,099 at December 31, 2018 and 2017, respectively.

Certain employees are covered by noncontributory defined benefit pension plans (the Plans), with the Northwell Health Cash Balance Plan (the Cash Balance Plan) being the primary plan. Northwell recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of the Plans in its consolidated statements of financial position.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

Defined Benefit Pension Plans

The following tables provide a reconciliation of the changes in the Plans' aggregated projected benefit obligation and fair value of plan assets for the years ended December 31, 2018 and 2017 and the funded status and accumulated benefit obligation of the Plans as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Reconciliation of the projected benefit obligation		
Obligation at January 1	\$ 2,524,882	\$ 2,272,298
Inclusion of Mather obligation at Acquisition Date	202,931	–
Service cost	98,296	77,960
Interest cost	105,334	98,662
Plan amendments	33,944	2,078
Actuarial (gain) loss	(145,570)	174,104
Benefit payments	(113,281)	(97,722)
Settlements	(1,444)	(2,498)
Obligation at December 31	<u>\$ 2,705,092</u>	<u>\$ 2,524,882</u>
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	\$ 1,789,091	\$ 1,520,250
Inclusion of Mather plan assets at Acquisition Date	155,059	–
Actual (loss) return on plan assets	(65,598)	210,739
Employer contributions	111,160	158,328
Benefit payments	(113,281)	(97,722)
Settlements	(1,533)	(2,504)
Fair value of plan assets at December 31	<u>\$ 1,874,898</u>	<u>\$ 1,789,091</u>
Funded status		
Funded status at December 31	<u>\$ (830,194)</u>	<u>\$ (735,791)</u>
Accumulated benefit obligation at December 31	<u>\$ 2,561,138</u>	<u>\$ 2,352,372</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

The current portion of accrued retirement benefits related to the Plans, included in accrued salaries and related benefits in the accompanying consolidated statements of financial position, is \$2,539 and \$3,812 at December 31, 2018 and 2017, respectively.

The actuarial gain in 2018 is primarily due to the increase in the discount rate used in the measurement of the Plans' benefit obligation. The actuarial loss in 2017 is primarily due to the decrease in the discount rate.

Included in net assets without donor restrictions at December 31, 2018 and 2017 are the following amounts related to the Plans that have not yet been recognized in net periodic benefit cost:

	<u>2018</u>	<u>2017</u>
Unrecognized actuarial loss	\$ (676,826)	\$ (661,630)
Unrecognized prior service cost	(37,595)	(7,176)
	<u>\$ (714,421)</u>	<u>\$ (668,806)</u>

The Plans' actuarial loss and prior service cost included in net assets without donor restrictions expected to be recognized in net periodic benefit cost during the year ended December 31, 2019 are as follows:

Actuarial loss	\$ 43,533
Prior service cost	14,120
Increase to net periodic benefit cost	<u>\$ 57,653</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

The following table provides the components of the net periodic benefit cost for the Plans for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Service cost (included in employee benefits)	<u>\$ 98,296</u>	<u>\$ 77,960</u>
Interest cost on projected benefit obligation	105,334	98,662
Expected return on plan assets	(134,957)	(112,143)
Amortization of actuarial loss	40,005	39,323
Amortization of prior service cost	3,525	3,611
Settlement loss (gain)	207	(95)
Total included in non-operating net periodic benefit cost	<u>14,114</u>	<u>29,358</u>
Net periodic benefit cost	<u>\$ 112,410</u>	<u>\$ 107,318</u>

Prior service costs are amortized over the average remaining service period of active participants. Actuarial gains and losses in excess of 10% of the greater of the projected benefit obligations and the market-related value of assets are amortized over the average remaining service period of active participants.

The assumptions used in the measurement of the Cash Balance Plan's benefit obligations at December 31, 2018 and 2017 are shown in the following table:

	<u>2018</u>	<u>2017</u>
Discount rate	4.35%	3.75%
Rate of compensation increase	4.00%	4.00%

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

The assumptions used in the measurement of the Cash Balance Plan's net periodic benefit cost for the years ended December 31, 2018 and 2017 are shown in the following table:

	<u>2018</u>	<u>2017</u>
Discount rate	3.75%	4.25%
Expected long-term rate of return on plan assets	6.75%	7.00%
Rate of compensation increase	4.00%	4.00%

The Cash Balance Plan comprises 82.1% and 89.4% of the Plans' total projected benefit obligation as of December 31, 2018 and 2017, respectively, and 97.1% and 94.6% of the net periodic benefit cost for the years ended December 31, 2018 and 2017, respectively.

Benefit payments for the Plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

2019	\$ 126,804
2020	136,350
2021	141,255
2022	151,406
2023	157,896
2024 to 2028	873,836

Northwell expects to make contributions of approximately \$170,000 to the Plans in 2019.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

Defined Benefit Pension Plan Assets

The fair values of the Plans' assets at December 31, 2018, by asset category, are as follows:

Asset Category	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 39,763	\$ –	\$ –	\$ 39,763
Fixed income obligations:				
U.S. Government obligations	7,898	20,379	–	28,277
Corporate and other bonds	–	135,796	–	135,796
Fixed income mutual funds	62,602	–	–	62,602
Commingled fixed income funds	–	85,403	–	85,403
Equity securities:				
Value	80,376	–	–	80,376
Small cap	42,115	–	–	42,115
Global	187,893	–	–	187,893
Growth	34,792	–	–	34,792
Equity mutual funds	181,231	–	–	181,231
Commingled equity funds	–	56,272	–	56,272
Interest and other receivables	4,571	–	–	4,571
	\$ 641,241	\$ 297,850	\$ –	939,091
Assets measured at net asset value:				
Commingled fixed income funds				311,026
Commingled equity funds				62,646
Commingled commodity fund				499
Commingled risk-parity fund				83,889
Funds of hedge funds				286,685
Hedge funds				31
Private equity funds				137,679
Private real estate funds				53,352
Total assets at fair value				\$ 1,874,898

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

The fair values of the Plans' assets at December 31, 2017, by asset category, are as follows:

Asset Category	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 81,612	\$ —	\$ —	\$ 81,612
Fixed income obligations:				
U.S. Government obligations	14,061	17,194	—	31,255
Corporate and other bonds	—	67,026	—	67,026
Fixed income mutual funds	103,029	—	—	103,029
Commingled fixed income funds	—	84,415	—	84,415
Equity securities:				
Value	40,367	—	—	40,367
Small cap	46,841	—	—	46,841
Global	175,362	—	—	175,362
Growth	41,189	—	—	41,189
Equity mutual funds	208,454	—	—	208,454
Commingled equity funds	—	69,177	—	69,177
Interest and other receivables	1,778	—	—	1,778
	\$ 712,693	\$ 237,812	\$ —	950,505
Assets measured at net asset value:				
Commingled fixed income funds				241,825
Commingled equity funds				73,018
Commingled commodity fund				680
Commingled risk-parity fund				85,104
Funds of hedge funds				281,262
Hedge funds				83
Private equity funds				109,548
Private real estate funds				47,066
Total assets at fair value				\$ 1,789,091

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

Assets invested in the Plans are carried at fair value. Debt and equity securities and certain commingled funds with readily determinable values are carried at fair value, as determined based on independent published sources. Other commingled funds and alternative investments are stated at fair value, determined by using net asset value as a practical expedient, as permitted by generally accepted accounting principles, rather than using another valuation method to independently estimate fair value (see Note 2).

The following is a summary of assets in the Plans at December 31, 2018 (by asset category) with redemption restrictions:

	Asset Value	Redemption Period (Including Notice Period)
Commingled fixed income funds	\$ 396,429	1 day to 65 days
Commingled equity funds	118,918	3 days to 45 days
Commingled risk-parity fund	83,889	90 days to 120 days
Funds of hedge funds	286,685	60 days to 365 days

Private equity and private real estate funds have long lifecycles with distributions not expected for several years. In the instance of certain redemptions, some investments noted above may require an extended waiting period to receive a remainder portion of the redemption.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

Basis Used to Determine the Expected Long-Term Rate of Return on Assets

The overall expected long-term rate of return on assets assumption is based upon a long-term building-block approach adjusted for current market conditions. First, return expectations for each asset class are developed with economic and fundamental drivers such as inflation, dividends and real earnings growth for stocks and real yields, defaults and recoveries for bonds. These expectations assume that market levels at the beginning of the forecast period are in a state of equilibrium. With the understanding that markets are more often than not in some state of disequilibrium, the “next ten year” return forecasts are adjusted to reflect the starting point for inflation expectations, interest rate levels and market risk premiums relative to historically normal market levels. The fundamental building blocks used to develop the long-term equilibrium return expectations are based on a combination of consensus forecasts and long-term historical averages. The historical data is adjusted to reflect any fundamental changes that have occurred in the relative markets.

Once long-term equilibrium forecasts are developed, returns are adjusted for the next ten years to reflect the current environment as it relates to the key economic variables that influence returns across the capital markets. In doing so, the expected path for breakeven inflation, real interest rates and investment grade corporate bond spreads are modeled for the next ten years. In this framework, the investment grade corporate spreads are used as a proxy for the risk premium priced broadly into all asset classes within the capital markets.

While the precise expected return derived using the above approach will fluctuate somewhat from year to year, the Plans’ policy is to hold this long-term assumption constant as long as it remains within a reasonable tolerance from the derived rate.

Description of Investment Policies and Strategies

The Plans’ overall investment strategy is to achieve wide diversification of asset types, fund strategies and fund managers. Equity securities include investments in domestic, international, global and emerging markets equities. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, emerging markets debt and U.S. Treasuries. Other types of investments include investments in commingled commodity funds and alternative investments that follow several different strategies.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

There are specific guidelines and diversification standards for each investment manager. Eligible investments are specifically outlined. Each manager must disclose its strategies and report that it abides by the Employee Retirement Income Security Act of 1974 (ERISA) rules, where applicable.

The Cash Balance Plan's asset allocation at December 31, 2018 and 2017, by asset category, is as follows:

	2018	2017	Target Allocation
Cash and short-term investments	2.6%	4.9%	6.0%
Fixed income obligations, including commingled fixed income funds	32.7	29.3	32.9
Equity securities, including commingled equity funds	30.8	35.2	24.5
Commingled risk-parity funds	5.1	5.0	0.0
Alternative investments	28.8	25.6	36.6
	100.0%	100.0%	100.0%

The target allocation percentages are set as long-term diversification objectives to be met over time, as the portfolio increases the allocation to alternative investments.

The Cash Balance Plan comprises 83.2% and 89.6% of the Plans' total fair value of plan assets as of December 31, 2018 and 2017, respectively.

Other Postretirement Benefits

Certain employees are covered by the Northwell Health Retiree Medical and Life Insurance Plan and other postretirement benefit plans other than pensions. As of December 31, 2018 and 2017, the total funded status of the plans was a liability of \$31,418 and \$44,165, respectively. The current portion of accrued retirement benefits related to the plans, included in accrued salaries and related benefits in the accompanying consolidated statements of financial position, is \$1,537 and \$1,645 at December 31, 2018 and 2017, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

For the years ended December 31, 2018 and 2017, there was a net periodic benefit cost (credit) related to these plans of \$335 and (\$483), respectively, of which (\$1,252) and (\$1,495), respectively, was recorded within non-operating net periodic benefit cost in the accompanying consolidated statements of operations.

10. Malpractice and Other Insurance Liabilities

Malpractice

Northwell provides for potential medical malpractice losses through a combination of a self-insurance program and purchased primary and excess insurance, on both a claims-made and occurrence basis, as follows:

Primary Insurance Program

From January 2003 through December 2016, Northwell purchased primary malpractice insurance on an occurrence basis, covering most hospitals. The policies provided coverage with limits of \$1,000 per claim and a \$50,000 annual policy aggregate through 2009. Effective January 2010, the program retained \$750 of the primary coverage per indemnity claim, while aggregate limits increased to \$60,000. Effective January 2013, the retention level increased to \$900 per claim. Effective January 2017, Northwell decided to fully self-insure the primary layer covering most hospitals up to \$1,000 per claim.

In December 2002, Northwell purchased a tail insurance policy to cover unreported occurrences from its prior claims-made primary insurance program.

The estimated undiscounted liability for the retained primary coverage and losses in excess of the insured primary aggregate at December 31, 2018 and 2017 was \$721,206 and \$622,487, respectively. At December 31, 2018 and 2017, the liability was recorded at the actuarially determined present value of \$671,804 and \$576,357, respectively, based on a discount rate of 2.0%. Malpractice and other insurance liabilities are discounted based on the expected timing of the actuarially estimated future claim payments under the programs, using a risk-free rate. Such estimates are reviewed and updated on an annual basis.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

10. Malpractice and Other Insurance Liabilities (continued)

Excess Insurance Coverage

Regional Insurance covers certain excess malpractice losses above the primary per claim limit, on a claims-made basis. Additional commercial excess malpractice insurance is purchased on a claims-made basis for excess coverage layers above the Regional Insurance per claim limit.

Regional Insurance's estimated undiscounted reserves for losses and loss expenses outstanding at December 31, 2018 and 2017 were \$150,317 and \$177,563, respectively, and were recorded at the actuarially determined present value of \$144,880 and \$170,149, respectively, based on a discount rate of 2.0%.

Effective January 1, 2015, the aggregate excess coverage provided by Regional Insurance was reduced to \$6,500 per year, which resulted in an undiscounted liability for the Northwell hospitals for estimated losses in excess of the aggregate at December 31, 2018 and 2017 of \$263,671 and \$180,794, respectively, recorded at the actuarially determined present value of \$243,240 and \$165,624, respectively, based on a 2.0% discount rate.

The estimated undiscounted incurred but not reported liability for claims in excess of primary insurance layers at December 31, 2018 and 2017 was \$105,453 and \$97,718, respectively, and was recorded at the actuarially determined present value of \$91,635 and \$84,864, respectively, based on a discount rate of 2.0%.

Other Self-Insurance Coverage

For certain years, certain Northwell hospitals were covered for malpractice claims under various other insured and self-insured arrangements. For self-insured claims and incidents, Northwell has reserved \$39,308 and \$37,972 at December 31, 2018 and 2017, respectively, based on actuarial determinations and a discount rate of 2.0%, as its best estimates of the ultimate cost of such losses.

Malpractice claims have been asserted against Northwell by various claimants. These claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents that have occurred 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. It is the opinion of Northwell's management that adequate insurance, including self-insurance, and malpractice reserves are being maintained to cover potential malpractice losses.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Malpractice and Other Insurance Liabilities (continued)

Workers' Compensation

In June 2013, Northwell changed its workers' compensation insurance program from a guaranteed cost program to a high deductible program with a \$1,000 per claim retention level. At December 31, 2018 and 2017, the liability for retained losses under this program was recorded at the actuarially determined present value of \$163,209 and \$137,609, respectively, based on a discount rate of 2.0%. The estimated undiscounted liability was \$182,982 and \$156,572 at December 31, 2018 and 2017, respectively.

Prior to joining Northwell's high deductible program, certain hospitals had various self-insured programs for workers' compensation claims. At December 31, 2018 and 2017, the liability for these self-insured losses was recorded at the actuarially determined present value of \$23,881 and \$10,846, respectively, based on a discount rate of 2.0%.

11. Other Operating Revenue

Other operating revenue consists of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Laboratory services	\$ 265,005	\$ 243,839
Grants and contracts	147,128	126,534
Pharmacy sales	110,371	83,349
MLMIC demutualization	104,075	—
Health plan risk pool distributions	37,196	20,739
Rental income	29,516	36,249
Gain on sale of Broadlawn	—	32,252
Cafeteria and gift shop sales	18,093	17,849
Group purchasing rebates	16,978	11,692
Investment income (see Note 4)	15,771	13,869
Health plan care coordination revenue	7,489	6,940
All other	75,377	59,770
	<u>\$ 826,999</u>	<u>\$ 653,082</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. Other Operating Revenue (continued)

The table above excludes other operating revenue of the Health Insurance Companies of \$14,130 and \$15,157 for the years ended December 31, 2018 and 2017, respectively.

In October 2018, Medical Liability Mutual Insurance Company (MLMIC), one of Northwell's malpractice insurers, was acquired by National Indemnity Company. 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. Included in other operating revenue in the accompanying consolidated statement of operations for the year ended December 31, 2018 is \$104,075 from proceeds received by Northwell following the demutualization of MLMIC.

12. Net Assets

Donor restricted net assets at December 31, 2018 and 2017 are available for the following:

	<u>2018</u>	<u>2017</u>
Teaching, research, training and other	\$ 291,967	\$ 279,664
Capital projects and purchases of equipment	127,427	155,508
Permanent endowments	219,315	195,775
	<u>\$ 638,709</u>	<u>\$ 630,947</u>

Northwell's endowments consist of donor restricted funds, the income from which is available for a variety of purposes.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

12. Net Assets (continued)

Northwell follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanent endowments. Northwell has interpreted NYPMIFA as requiring 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. As a result of this interpretation, Northwell classifies as net assets with donor restrictions to be maintained in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. The remaining income from the permanent endowments is classified as net assets with donor restrictions to be used for described purposes or over specified periods of time until those amounts are appropriated for expenditure. Northwell considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) the investment policies of Northwell.

Northwell's investment and spending policies for endowment assets seek to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Northwell must hold in perpetuity or for a donor-specified term. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that expects to generate an average annual return over time in excess of 5.0%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, Northwell relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Northwell targets a diversified asset allocation that consists of equities, fixed income and alternative investments.

Northwell has a policy of appropriating for distribution each year, no more than a 7% return on its endowment funds' corpus. In establishing this policy, Northwell considered the long-term expected return on its endowments.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

12. Net Assets (continued)

For the years ended December 31, 2018 and 2017, Northwell had the following activity related to its endowment assets including amounts to be held in perpetuity and earnings which may be expended:

	2018	2017
Endowment balance, beginning of year	\$ 261,045	\$ 221,613
Investment return:		
Investment income	13,379	11,645
Net (depreciation) appreciation	(21,731)	21,295
Total investment return	(8,352)	32,940
Contributions and other	23,540	14,802
Amounts appropriated for expenditure	(13,721)	(8,310)
Net change in endowment funds	1,467	39,432
Endowment balance, end of year	<u>\$ 262,512</u>	<u>\$ 261,045</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Northwell to retain as a fund of perpetual duration. There was no such deficiency as of December 31, 2018 and 2017.

13. Commitments and Contingencies

Litigation and Claims

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

Operating Leases

Northwell leases certain office facility space, patient care facility space and equipment under operating leases that have initial or remaining noncancelable terms in excess of one year. Aggregate minimum operating lease payments are amortized on the straight-line basis over the terms of the respective leases. Rent expense was \$146,394 and \$119,257 for 2018 and 2017, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

13. Commitments and Contingencies (continued)

Future minimum lease payments under noncancelable operating leases with terms of one year or more are as follows:

2019	\$	143,520
2020		131,371
2021		122,866
2022		104,287
2023		88,360
Thereafter		454,912

Collective Bargaining Agreements

At December 31, 2018, approximately 33% of Northwell's employees are union employees who are covered under the terms of various collective bargaining agreements. Certain collective bargaining agreements which represent approximately 10% of union employees (3% of total employees) have expired, or will expire, within the next year and are currently being renegotiated.

Letters of Credit and Surety Bonds

At December 31, 2018, \$9,015 in direct-pay letters of credit are maintained with a commercial bank, in lieu of debt service reserve funds for certain Obligated Group bond issues.

At December 31, 2018, \$16,635 in direct-pay letters of credit are maintained with a commercial bank to secure certain Northern Westchester bond issues.

At December 31, 2018, four commercial banks are providing a total of \$233,000 in commitments, solely to support letters of credit required for Northwell's high deductible workers' compensation insurance program. At December 31, 2018, \$120,473 in secured direct-pay letters of credit were maintained with three of the banks, and \$112,527 of the commitments remain available for future letters of credit. At December 31, 2018, there was also a \$29,000 surety bond supporting this program.

In addition, at December 31, 2018, \$16,195 in direct-pay letters of credit or surety bonds were maintained to support other workers' compensation insurance programs at certain Northwell hospitals.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

13. Commitments and Contingencies (continued)

Other Commitments and Contingencies

In 2008, Hofstra University (the University) and Northwell entered into a joint academic agreement to establish what is now known as the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell (the Medical School), at the University, while remaining as separate corporations with separate governance. Under the agreement, Northwell will reimburse the University a minimum of \$5,000 each academic year for a portion of the Medical School's annual costs, with amounts indexed to the Medical School tuition. Such reimbursement is contingent upon annual approval by the boards of Northwell and the University. Northwell shall not advance funds to the University that have not yet been spent in connection with the Medical School. Northwell also provides a minimum of \$4,000 annually for funding of Medical School scholarships and student loans, with amounts indexed to the Medical School tuition.

In April 2015, Northwell entered into a strategic affiliation with Cold Spring Harbor Laboratory (CSHL). Under the terms of this affiliation, Northwell and CSHL will continue as independent organizations governed by their respective boards of trustees. The goals of the affiliation include advancing cancer diagnostic and therapeutic research, developing a new clinical cancer research unit at Northwell to support early-phase clinical studies of new cancer therapies, and recruiting and training more clinician-scientists in oncology. Pursuant to the agreement, Northwell is now committed to pay CSHL \$15,000 annually throughout the remaining term of the affiliation.

In August 2015, Northwell entered into a clinical affiliation and collaboration agreement with Maimonides Medical Center (Maimonides), a not-for-profit acute care hospital located in Brooklyn, New York. The purpose of the affiliation is to pursue collaborative activities, such as clinical integration initiatives and ambulatory services joint ventures, as well as service agreements that may generate operational efficiencies. Under the terms of the affiliation agreement, Northwell and Maimonides will remain independent organizations governed by their respective boards of trustees. Pursuant to the affiliation agreement, the parties have also entered into an unsecured loan agreement, whereby through August 2017, Northwell loaned a total of \$125,000 to Maimonides. Payments on the loan and accrued interest thereon would not commence until the termination of the affiliation agreement. However, if Northwell becomes the sole member and corporate parent of Maimonides, outstanding amounts borrowed under the loan agreement, including accrued interest, will be forgiven.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) *(In Thousands)*

13. Commitments and Contingencies (continued)

In August 2018, Northwell entered into an option agreement with a third party that recently acquired property on the Upper East Side of Manhattan. Under the agreement, Northwell is required to make minimum monthly payments of approximately \$806 to the property owner and is given the option to purchase the property at a defined price at certain future dates. The option agreement is for a three-year period with the ability to extend for up to two additional years.

In the normal course of business, Northwell enters into multi-year contracts with vendors, suppliers and service providers for goods or services to be provided to Northwell. Under the terms of such agreements, Northwell may be contingently liable for termination or other fees in the event of contract termination or default. Northwell does not believe that such contingent liabilities, should they become due, would have a material impact on its consolidated financial statements.

14. Subsequent Events

Management has evaluated the impact of subsequent events through April 30, 2019, representing the date at which the consolidated financial statements were issued. No events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

Supplementary Information

Northwell Health, Inc.

Consolidating Statement of Financial Position
(In Thousands)

December 31, 2018

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	Peconic Bay Medical Center and Subsidiaries	John T. Mather Memorial Hospital and Subsidiary	The Long Island Home	Hospice Care Network	The Feinstein Institute for Medical Research	Northwell Health Foundation	Northwell Health Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Joint Venture Ambulatory Surgery Centers	Other Northwell Health Entities
Assets																	
Current assets:																	
Cash and cash equivalents	\$ 538,964	\$ –	\$ 284,292	\$ 3,349	\$ 30,065	\$ 11,134	\$ 30,402	\$ 2,557	\$ 5,905	\$ –	\$ 79,722	\$ –	\$ 881	\$ –	\$ 30,086	\$ 7,238	\$ 53,333
Short-term investments	2,581,695	–	2,188,394	101,929	76,328	18,059	24,378	86	37,575	26	7,267	–	34,767	963	91,923	–	–
Accounts receivable for services to patients, net	1,130,325	(6,294)	969,521	30,940	32,221	18,673	41,448	12,124	9,709	–	–	–	–	352	–	6,869	14,762
Accounts receivable for physician activities, net	205,422	(1,294)	141,021	3,061	1,941	3,789	2,747	–	–	–	–	–	–	–	–	–	54,157
Pledges receivable, current portion	67,590	–	–	–	–	–	–	–	81	–	66,563	–	–	–	–	–	946
Insurance claims receivable, current portion	54,877	–	52,037	202	586	189	–	1,394	35	90	6	338	–	–	–	–	–
Other current assets	326,685	(2,354)	209,788	6,342	8,296	6,171	13,972	2,491	338	10,286	759	28,529	13	64	4,731	1,477	35,782
Total current assets	4,905,558	(9,942)	3,845,053	145,823	149,437	58,015	112,947	18,652	53,643	10,402	154,317	28,867	35,661	1,379	126,740	15,584	158,980
Due from affiliates, net	–	(472,816)	461,214	–	2,394	–	–	–	399	1,553	–	–	7,256	–	–	–	–
Long-term investments	2,066,327	(324,270)	1,685,668	34,596	69,501	16,644	26,362	–	2,421	113,558	93,988	–	173,119	6,227	13,724	–	154,789
Pledges receivable, net of current portion	99,146	–	–	213	441	–	–	–	–	–	97,419	–	–	–	–	–	1,073
Property, plant and equipment, net	5,392,562	–	4,342,987	176,971	203,101	115,445	101,697	43,335	801	50,130	1,154	118,468	–	312	2,332	30,088	205,741
Insurance claims receivable, net of current portion	182,426	(147,778)	278,422	5,873	2,532	528	26,390	2,759	103	266	17	829	12,485	–	–	–	–
Other assets	390,963	(174,925)	354,810	5,552	7,791	12,084	11,466	4,782	214	–	77	–	446	35	–	63,474	105,157
Total assets	\$ 13,036,982	\$ (1,129,731)	\$ 10,968,154	\$ 369,028	\$ 435,197	\$ 202,716	\$ 278,862	\$ 69,528	\$ 57,581	\$ 175,909	\$ 346,972	\$ 148,164	\$ 228,967	\$ 7,953	\$ 142,796	\$ 109,146	\$ 625,740
Liabilities and net assets (deficit)																	
Current liabilities:																	
Short-term borrowings	\$ 103,500	\$ –	\$ 100,000	\$ –	\$ –	\$ –	\$ 3,500	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Accounts payable and accrued expenses	979,100	(9,945)	703,283	18,319	30,012	20,873	18,396	3,364	1,665	19,717	17,823	43,093	4,957	142	46,926	2,922	57,553
Accrued salaries and related benefits	891,525	–	742,560	12,827	17,739	17,668	20,916	5,681	1,760	6,166	1,661	8,700	–	396	1,281	822	53,348
Current portion of capital lease obligations	6,720	–	2,398	–	–	1,365	2,917	–	–	–	–	–	–	–	–	40	–
Current portion of long-term debt	55,469	–	44,759	1,913	3,675	2,167	2,632	–	–	–	–	–	–	–	–	323	–
Current portion of insurance claims liability	54,877	–	52,037	202	586	189	–	1,394	35	90	6	338	–	–	–	–	–
Current portion of malpractice and other insurance liabilities	175,728	–	132,434	2,030	3,753	1,402	835	507	–	–	–	–	34,767	–	–	–	–
Current portion of estimated payable to third-party payers	270,578	–	220,776	167	1,136	7,114	–	3,314	–	–	–	20,138	–	35	17,898	–	–
Total current liabilities	2,537,497	(9,945)	1,998,247	35,458	56,901	50,778	49,196	14,260	3,460	25,973	19,490	72,269	39,724	573	66,105	4,107	110,901
Due to affiliates, net	–	(453,590)	–	2,315	–	4,208	5,879	–	–	–	9,858	13,678	–	11,958	1,680	464	345,796
Accrued retirement benefits, net of current portion	1,041,936	–	922,434	5,044	40,296	3,678	62,097	8,077	200	–	–	–	–	–	110	–	–
Capital lease obligations, net of current portion	177,449	–	168,267	–	–	2,970	5,894	–	–	–	–	–	–	–	–	318	–
Long-term debt, net of current portion	3,199,039	–	3,058,911	29,450	47,413	30,358	27,458	–	–	–	–	–	–	–	–	5,449	–
Insurance claims liability, net of current portion	182,426	(147,778)	278,422	5,873	2,532	528	26,390	2,759	103	266	17	829	12,485	–	–	–	–
Malpractice and other insurance liabilities, net of current portion	1,220,562	(8,417)	1,044,711	14,655	20,984	12,472	18,542	3,657	–	–	–	–	113,958	–	–	–	–
Other long-term liabilities	694,538	–	642,319	6,321	13,083	4,229	1,533	–	873	28	6,512	1,304	–	–	431	9,571	8,334
Total liabilities	9,053,447	(619,730)	8,113,311	99,116	181,209	109,221	196,989	86,507	4,636	26,267	35,877	88,080	166,167	12,531	68,326	19,909	465,031
Commitments and contingencies																	
Net assets (deficit):																	
Without donor restrictions	3,344,826	(183,696)	2,411,123	257,303	223,480	85,811	79,456	(16,979)	50,844	20,294	(1,318)	60,084	62,800	(10,584)	74,470	89,237	142,501
With donor restrictions	638,709	(326,305)	443,720	12,609	30,508	7,684	2,417	–	2,101	129,348	312,413	–	–	6,006	–	–	18,208
Total net assets (deficit)	3,983,535	(510,001)	2,854,843	269,912	253,988	93,495	81,873	(16,979)	52,945	149,642	311,095	60,084	62,800	(4,578)	74,470	89,237	160,709
Total liabilities and net assets (deficit)	\$ 13,036,982	\$ (1,129,731)	\$ 10,968,154	\$ 369,028	\$ 435,197	\$ 202,716	\$ 278,862	\$ 69,528	\$ 57,581	\$ 175,909	\$ 346,972	\$ 148,164	\$ 228,967	\$ 7,953	\$ 142,796	\$ 109,146	\$ 625,740

Northwell Health, Inc.

Combining Statement of Financial Position –
Northwell Health Obligated Group
(In Thousands)

December 31, 2018

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	Southside Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Northwell Health Stern Family Center for Rehabilitation
Assets												
Current assets:												
Cash and cash equivalents	\$ 284,292	\$ –	\$ 246,117	\$ 31,240	\$ 1,166	\$ 2,079	\$ 2,398	\$ 7	\$ 475	\$ 418	\$ 391	\$ 1
Short-term investments	2,188,394	–	121,837	705,915	659,218	399,388	45,737	–	200,374	54,881	668	376
Accounts receivable for services to patients, net	969,521	–	–	224,729	321,144	128,356	142,494	61,797	49,596	13,545	18,648	9,212
Accounts receivable for physician activities, net	141,021	–	–	124,250	3,185	–	11,992	1,073	341	95	85	–
Insurance claims receivable, current portion	52,037	–	1,023	12,730	13,693	7,380	8,893	3,335	2,382	788	1,509	304
Other current assets	209,788	(3,000)	39,176	50,823	53,780	20,436	25,530	10,423	6,379	3,161	3,010	70
Total current assets	3,845,053	(3,000)	408,153	1,149,687	1,052,186	557,639	237,044	76,635	259,547	72,888	24,311	9,963
Due from affiliates, net	461,214	(103,088)	211,016	109,526	189,590	27,144	–	–	–	1,189	6,465	19,372
Long-term investments	1,685,668	–	766,990	248,285	342,826	165,893	80,903	22,955	31,373	10,449	652	15,342
Property, plant and equipment, net	4,342,987	–	915,691	470,487	1,227,604	193,192	974,726	286,661	180,991	44,412	40,274	8,949
Insurance claims receivable, net of current portion	278,422	–	2,509	63,348	96,693	42,903	37,874	16,048	6,318	5,575	6,409	745
Other assets	354,810	(5,112)	94,119	203,060	14,549	13,264	33,539	1,391	–	–	–	–
Total assets	\$ 10,968,154	\$ (111,200)	\$ 2,398,478	\$ 2,244,393	\$ 2,923,448	\$ 1,000,035	\$ 1,364,086	\$ 403,690	\$ 478,229	\$ 134,513	\$ 78,111	\$ 54,371
Liabilities and net assets (deficit)												
Current liabilities:												
Short-term borrowings	\$ 100,000	\$ –	\$ –	\$ 7,500	\$ 92,500	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Accounts payable and accrued expenses	703,283	–	220,970	138,332	121,598	47,068	80,342	44,845	21,839	12,262	14,522	1,505
Accrued salaries and related benefits	742,560	–	280,673	118,291	153,986	46,986	58,637	36,533	24,392	7,082	13,524	2,456
Current portion of capital lease obligations	2,398	–	1,731	158	51	111	263	–	84	–	–	–
Current portion of long-term debt	44,759	–	5,502	10,044	20,173	4,000	1,820	45	45	763	1,542	825
Current portion of insurance claims liability	52,037	–	1,023	12,730	13,693	7,380	8,893	3,335	2,382	788	1,509	304
Current portion of malpractice and other insurance liabilities	132,434	–	34,441	27,205	29,778	16,036	9,399	7,143	4,708	1,624	2,100	–
Current portion of estimated payable to third-party payers	220,776	–	64,648	90,978	28,274	16,033	14,362	702	1,522	463	3,794	–
Total current liabilities	1,998,247	–	544,340	378,908	522,757	149,855	175,387	106,263	54,152	24,041	33,660	8,884
Due to affiliates, net	–	(227,879)	–	–	–	–	31,074	174,979	21,826	–	–	–
Accrued retirement benefits, net of current portion	922,434	–	287,583	147,065	74,854	7,131	178,715	66,191	114,561	13,238	26,477	6,619
Capital lease obligations, net of current portion	168,267	–	97,751	926	66,538	512	2,015	–	525	–	–	–
Long-term debt, net of current portion	3,058,911	–	1,785,312	94,510	834,077	68,503	113,145	71,169	78,170	5,050	6,760	2,215
Insurance claims liability, net of current portion	278,422	–	2,509	63,348	96,693	42,903	37,874	16,048	6,318	5,575	6,409	745
Malpractice and other insurance liabilities, net of current portion	1,044,711	–	142,267	247,356	276,045	146,086	91,293	65,151	43,223	14,612	18,678	–
Other long-term liabilities	642,319	–	72,342	145,030	238,794	39,648	66,292	50,954	11,235	7,321	9,991	712
Total liabilities	8,113,311	(227,879)	2,932,104	1,077,143	2,109,758	454,638	695,795	550,755	330,010	69,837	101,975	19,175
Commitments and contingencies												
Net assets (deficit):												
Without donor restrictions	2,411,123	116,679	(533,626)	1,016,309	665,144	533,038	571,156	(152,312)	133,951	50,896	(24,407)	34,295
With donor restrictions	443,720	–	–	150,941	148,546	12,359	97,135	5,247	14,268	13,780	543	901
Total net assets (deficit)	2,854,843	116,679	(533,626)	1,167,250	813,690	545,397	668,291	(147,065)	148,219	64,676	(23,864)	35,196
Total liabilities and net assets (deficit)	\$ 10,968,154	\$ (111,200)	\$ 2,398,478	\$ 2,244,393	\$ 2,923,448	\$ 1,000,035	\$ 1,364,086	\$ 403,690	\$ 478,229	\$ 134,513	\$ 78,111	\$ 54,371

Northwell Health, Inc.

Consolidating Statement of Financial Position – Phelps Memorial Hospital (In Thousands)

December 31, 2018

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,349	\$ –	\$ 1,822	\$ 1,500	\$ 27
Short-term investments	101,929	–	101,929	–	–
Accounts receivable for services to patients, net	30,940	–	30,940	–	–
Accounts receivable for physician activities, net	3,061	–	833	–	2,228
Insurance claims receivable, current portion	202	–	202	–	–
Other current assets	6,342	–	6,133	79	130
Total current assets	145,823	–	141,859	1,579	2,385
Due from affiliates, net	–	(16,234)	15,784	450	–
Long-term investments	34,596	–	34,596	–	–
Pledges receivable, net of current portion	213	–	213	–	–
Property, plant and equipment, net	176,971	–	165,462	8,930	2,579
Insurance claims receivable, net of current portion	5,873	–	5,873	–	–
Other assets	5,552	(1,376)	6,928	–	–
Total assets	\$ 369,028	\$ (17,610)	\$ 370,715	\$ 10,959	\$ 4,964
Liabilities and net assets (deficit)					
Current liabilities:					
Accounts payable and accrued expenses	\$ 18,319	\$ –	\$ 17,875	\$ 22	\$ 422
Accrued salaries and related benefits	12,827	–	10,683	–	2,144
Current portion of long-term debt	1,913	–	1,685	228	–
Current portion of insurance claims liability	202	–	202	–	–
Current portion of malpractice and other insurance liabilities	2,030	–	2,030	–	–
Current portion of estimated payable to third-party payers	167	–	167	–	–
Total current liabilities	35,458	–	32,642	250	2,566
Due to affiliates, net	2,315	(16,234)	–	–	18,549
Accrued retirement benefits, net of current portion	5,044	–	5,044	–	–
Long-term debt, net of current portion	29,450	–	26,525	2,925	–
Insurance claims liability, net of current portion	5,873	–	5,873	–	–
Malpractice and other insurance liabilities, net of current portion	14,655	–	14,655	–	–
Other long-term liabilities	6,321	–	6,320	–	1
Total liabilities	99,116	(16,234)	91,059	3,175	21,116
Commitments and contingencies					
Net assets (deficit):					
Without donor restrictions	257,303	(1,376)	267,047	7,784	(16,152)
With donor restrictions	12,609	–	12,609	–	–
Total net assets (deficit)	269,912	(1,376)	279,656	7,784	(16,152)
Total liabilities and net assets (deficit)	\$ 369,028	\$ (17,610)	\$ 370,715	\$ 10,959	\$ 4,964

Northwell Health, Inc.

Consolidating Statement of Financial Position – Northern Westchester Hospital (In Thousands)

December 31, 2018

	Northern Westchester Hospital Association and Subsidiaries	Eliminations	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Assets					
Current assets:					
Cash and cash equivalents	\$ 30,065	\$ –	\$ 29,165	\$ –	\$ 900
Short-term investments	76,328	–	76,328	–	–
Accounts receivable for services to patients, net	32,221	–	32,221	–	–
Accounts receivable for physician activities, net	1,941	–	1,941	–	–
Insurance claims receivable, current portion	586	–	586	–	–
Other current assets	8,296	–	8,296	–	–
Total current assets	149,437	–	148,537	–	900
Due from affiliates, net	2,394	(9,337)	11,731	–	–
Long-term investments	69,501	–	34,026	35,475	–
Pledges receivable, net of current portion	441	–	–	441	–
Property, plant and equipment, net	203,101	–	189,285	7	13,809
Insurance claims receivable, net of current portion	2,532	–	2,532	–	–
Other assets	7,791	–	6,858	–	933
Total assets	\$ 435,197	\$ (9,337)	\$ 392,969	\$ 35,923	\$ 15,642
Liabilities and net assets					
Current liabilities:					
Accounts payable and accrued expenses	\$ 30,012	\$ –	\$ 29,775	\$ 41	\$ 196
Accrued salaries and related benefits	17,739	–	17,633	106	–
Current portion of long-term debt	3,675	–	3,675	–	–
Current portion of insurance claims liability	586	–	586	–	–
Current portion of malpractice and other insurance liabilities	3,753	–	3,753	–	–
Current portion of estimated payable to third-party payers	1,136	–	1,136	–	–
Total current liabilities	56,901	–	56,558	147	196
Due to affiliates, net	–	(9,337)	–	4,493	4,844
Accrued retirement benefits, net of current portion	40,296	–	40,296	–	–
Long-term debt, net of current portion	47,413	–	47,413	–	–
Insurance claims liability, net of current portion	2,532	–	2,532	–	–
Malpractice and other insurance liabilities, net of current portion	20,984	–	20,984	–	–
Other long-term liabilities	13,083	–	11,847	–	1,236
Total liabilities	181,209	(9,337)	179,630	4,640	6,276
Commitments and contingencies					
Net assets:					
Without donor restrictions	223,480	–	212,432	1,682	9,366
With donor restrictions	30,508	–	907	29,601	–
Total net assets	253,988	–	213,339	31,283	9,366
Total liabilities and net assets	\$ 435,197	\$ (9,337)	\$ 392,969	\$ 35,923	\$ 15,642

Northwell Health, Inc.

Combining Statement of Financial Position –
Joint Venture Ambulatory Surgery Centers
(In Thousands)

December 31, 2018

	Joint Venture Ambulatory Surgery Centers	Eliminations	Endoscopy Center of Long Island	Endo Group, LLC	South Shore Surgery Center	Suffolk Surgery Center	Digestive Health Center of Huntington	Greenwich Village Surgery Center	Melville Surgery Center
Assets									
Current assets:									
Cash and cash equivalents	\$ 7,238	\$ –	\$ 1,807	\$ 2,878	\$ 435	\$ 528	\$ 361	\$ 537	\$ 692
Accounts receivable for services to patients, net	6,869	–	–	400	1,160	1,035	645	–	3,629
Other current assets	1,477	–	3	–	440	383	68	–	583
Total current assets	15,584	–	1,810	3,278	2,035	1,946	1,074	537	4,904
Due from affiliates, net	–	(6)	–	–	6	–	–	–	–
Property, plant and equipment, net	30,088	–	355	6,815	2,628	698	268	18,495	829
Other assets	63,474	–	29,939	6,386	4,143	5,358	4,237	–	13,411
Total assets	\$ 109,146	\$ (6)	\$ 32,104	\$ 16,479	\$ 8,812	\$ 8,002	\$ 5,579	\$ 19,032	\$ 19,144
Liabilities and net assets									
Current liabilities:									
Accounts payable and accrued expenses	\$ 2,922	\$ –	\$ 212	\$ 550	\$ 640	\$ 339	\$ 233	\$ 138	\$ 810
Accrued salaries and related benefits	822	–	123	87	148	79	29	70	286
Current portion of capital lease obligations	40	–	–	–	–	–	–	–	40
Current portion of long-term debt	323	–	–	157	–	97	69	–	–
Total current liabilities	4,107	–	335	794	788	515	331	208	1,136
Due to affiliates, net	464	(6)	269	60	–	67	55	–	19
Capital lease obligations, net of current portion	318	–	–	–	114	–	–	–	204
Long-term debt, net of current portion	5,449	–	–	5,299	–	150	–	–	–
Other long-term liabilities	9,571	–	–	–	–	–	–	9,452	119
Total liabilities	19,909	(6)	604	6,153	902	732	386	9,660	1,478
Commitments and contingencies									
Net assets:									
Without donor restrictions	89,237	–	31,500	10,326	7,910	7,270	5,193	9,372	17,666
With donor restrictions	–	–	–	–	–	–	–	–	–
Total net assets	89,237	–	31,500	10,326	7,910	7,270	5,193	9,372	17,666
Total liabilities and net assets	\$ 109,146	\$ (6)	\$ 32,104	\$ 16,479	\$ 8,812	\$ 8,002	\$ 5,579	\$ 19,032	\$ 19,144

Northwell Health, Inc.

Consolidating Statement of Operations
(In Thousands)

Year Ended December 31, 2018

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	Peconic Bay Medical Center and Subsidiaries	John T. Mather Memorial Hospital and Subsidiary	The Long Island Home	Hospice Care Network	The Feinstein Institute for Medical Research	Northwell Health Foundation	Northwell Health Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Joint Venture Ambulatory Surgery Centers	Other Northwell Health Entities
Operating revenue:																	
Net patient service revenue	\$ 8,762,122	\$ (24,129)	\$ 7,469,636	\$ 259,776	\$ 274,010	\$ 194,852	\$ 316,942	\$ 77,739	\$ 50,237	\$ –	\$ –	\$ –	\$ –	\$ 4,675	\$ –	\$ 63,379	\$ 75,005
Physician practice revenue	1,854,861	(47,058)	1,228,932	25,851	6,382	24,200	35,710	1,855	319	–	–	–	–	–	–	–	578,670
Total patient revenue	10,616,983	(71,187)	8,698,568	285,627	280,392	219,052	352,652	79,594	50,556	–	–	–	–	4,675	–	63,379	653,675
Other operating revenue	826,999	(929,644)	841,589	24,144	6,538	8,136	23,925	4,064	106	55,747	–	465,069	3,213	2,340	–	32	321,740
Net assets released from restrictions used for operations	63,021	–	46,383	78	594	1,875	–	–	926	12,501	–	–	–	643	–	–	21
	11,507,003	(1,000,831)	9,586,540	309,849	287,524	229,063	376,577	83,658	51,588	68,248	–	465,069	3,213	7,658	–	63,411	975,436
Operating expenses:																	
Salaries	5,851,950	(162,917)	4,679,798	152,345	128,658	109,585	177,592	59,214	21,176	63,924	–	109,303	–	4,677	–	12,878	495,717
Employee benefits	1,347,618	(117,259)	1,149,646	24,405	34,436	30,804	45,532	21,740	6,457	19,939	–	36,575	–	1,914	–	2,320	91,109
Supplies and expenses	3,530,160	(720,655)	2,953,713	81,361	85,755	76,926	132,351	14,549	20,720	30,993	–	309,497	422	2,324	–	29,083	513,121
Depreciation and amortization	474,509	–	403,530	13,344	15,264	6,572	14,658	2,273	267	1,744	–	–	–	85	–	2,905	7,543
Interest	146,660	–	140,044	1,057	1,577	1,944	1,919	–	–	–	–	–	–	–	–	119	–
	11,350,897	(1,000,831)	9,326,731	272,512	265,690	225,831	372,052	97,776	48,620	121,180	–	457,119	422	9,000	–	47,305	1,107,490
Excess (deficiency) of operating revenue over operating expenses, excluding Health Insurance Companies	156,106	–	259,809	37,337	21,834	3,232	4,525	(14,118)	2,968	(52,932)	–	7,950	2,791	(1,342)	–	16,106	(132,054)
Health Insurance Companies operating revenue	58,909	–	–	–	–	–	–	–	–	–	–	–	–	–	58,909	–	–
Health Insurance Companies operating expenses	80,620	–	–	–	–	–	–	–	–	–	–	–	–	–	80,620	–	–
Health Insurance Companies excess of operating expenses over operating revenue	(21,711)	–	–	–	–	–	–	–	–	–	–	–	–	–	(21,711)	–	–
Total excess (deficiency) of operating revenue over operating expenses	134,395	–	259,809	37,337	21,834	3,232	4,525	(14,118)	2,968	(52,932)	–	7,950	2,791	(1,342)	(21,711)	16,106	(132,054)
Non-operating gains and losses:																	
Investment income	130,096	–	120,419	2,063	2,704	97	299	55	1,509	50	903	(45)	5,555	–	(3,331)	(226)	44
Change in net unrealized gains and losses and change in value of equity method investments	(328,931)	–	(306,338)	(4,812)	(6,106)	120	(2,380)	–	(3,041)	2	(571)	–	(15,895)	–	203	–	9,887
Change in interest in acquired entities	–	(14,051)	14,051	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in fair value of interest rate swap agreements designated as derivative instruments	433	–	–	–	–	–	433	–	–	–	–	–	–	–	–	–	–
Non-operating net periodic benefit (cost) credit	(12,862)	–	(18,605)	–	1,144	56	3,583	1,924	–	(112)	(63)	(616)	–	(55)	–	–	(118)
Contribution received in the acquisition of John T. Mather Memorial Hospital	75,819	–	75,819	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Gain on sale of property	65,723	–	65,723	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other non-operating gains and losses	(41,779)	–	(21,677)	255	(1,189)	5,501	–	–	214	–	(19,468)	–	–	–	–	–	(5,415)
Total non-operating gains and losses	(111,501)	(14,051)	(70,608)	(2,494)	(3,447)	5,774	1,935	1,979	(1,318)	(60)	(19,199)	(661)	(10,340)	(55)	(3,128)	(226)	4,398
Excess (deficiency) of revenue and gains and losses over expenses	22,894	(14,051)	189,201	34,843	18,387	9,006	6,460	(12,139)	1,650	(52,992)	(19,199)	7,289	(7,549)	(1,397)	(24,839)	15,880	(127,656)
Net assets released from restrictions for capital asset acquisitions	44,170	–	27,482	5,946	9,422	–	1,086	–	–	234	–	–	–	–	–	–	–
Change in fair value of interest rate swap agreements designated as cash flow hedges	1,279	–	140	–	111	1,031	(3)	–	–	–	–	–	–	–	–	–	–
Transfers (to) from affiliates	–	–	(362,592)	–	15,000	19,993	18,000	–	–	50,102	18,000	–	–	–	–	11,205	230,292
Pension and other postretirement liability adjustments	(31,190)	–	(4,126)	–	(784)	(1,642)	(21,906)	(4,280)	102	176	34	415	–	22	–	–	799
Other changes in net assets	(7,438)	13,586	2,875	(200)	–	–	–	–	–	265	–	–	(3,013)	–	(253)	(19,848)	(850)
Increase (decrease) in net assets without donor restrictions	\$ 29,715	\$ (465)	\$ (147,020)	\$ 40,589	\$ 42,136	\$ 28,388	\$ 3,637	\$ (16,419)	\$ 1,752	\$ (2,215)	\$ (1,165)	\$ 7,704	\$ (10,562)	\$ (1,375)	\$ (25,092)	\$ 7,237	\$ 102,585

Northwell Health, Inc.

Combining Statement of Operations –
Northwell Health Obligated Group
(In Thousands)

Year Ended December 31, 2018

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	Southside Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Northwell Health Stern Family Center for Rehabilitation
Operating revenue:												
Net patient service revenue	\$ 7,469,636	\$ (347)	\$ –	\$ 1,827,040	\$ 2,464,818	\$ 934,818	\$ 1,064,528	\$ 464,580	\$ 351,864	\$ 117,204	\$ 188,404	\$ 56,727
Physician practice revenue	1,228,932	–	–	451,870	393,814	–	126,729	130,116	81,894	19,773	23,513	1,223
Total patient revenue	8,698,568	(347)	–	2,278,910	2,858,632	934,818	1,191,257	594,696	433,758	136,977	211,917	57,950
Other operating revenue	841,589	(1,441,163)	1,369,618	374,041	209,625	42,212	226,045	33,827	8,565	5,111	12,896	812
Net assets released from restrictions used for operations	46,383	–	2,104	14,881	19,319	703	9,296	34	46	–	–	–
Total operating revenue	9,586,540	(1,441,510)	1,371,722	2,667,832	3,087,576	977,733	1,426,598	628,557	442,369	142,088	224,813	58,762
Operating expenses:												
Salaries	4,679,798	(470,636)	452,281	1,328,466	1,446,993	480,829	674,253	324,489	213,872	83,878	110,317	35,056
Employee benefits	1,149,646	(108,589)	118,487	263,189	370,582	144,962	150,468	86,180	54,202	20,632	36,472	13,061
Supplies and expenses	2,953,713	(862,285)	602,428	932,511	1,030,938	295,438	472,744	212,306	143,753	40,715	73,060	12,105
Depreciation and amortization	403,530	–	122,882	64,997	89,589	25,918	47,199	22,611	18,916	6,011	3,883	1,524
Interest	140,044	–	75,746	6,032	43,533	2,820	4,752	3,004	3,344	255	403	155
Total operating expenses	9,326,731	(1,441,510)	1,371,824	2,595,195	2,981,635	949,967	1,349,416	648,590	434,087	151,491	224,135	61,901
Excess (deficiency) of operating revenue over operating expenses	259,809	–	(102)	72,637	105,941	27,766	77,182	(20,033)	8,282	(9,403)	678	(3,139)
Non-operating gains and losses:												
Investment income	120,419	–	18,596	31,860	35,260	20,712	1,663	424	8,759	2,885	(35)	295
Change in net unrealized gains and losses and change in value of equity method investments	(306,338)	–	(99,508)	(66,760)	(69,208)	(43,655)	(3,359)	(797)	(17,554)	(5,468)	–	(29)
Change in interest in acquired entities	14,051	–	–	14,051	–	–	–	–	–	–	–	–
Non-operating net periodic benefit cost	(18,605)	–	(3,939)	(2,766)	(1,654)	(31)	(4,468)	(1,862)	(2,775)	(310)	(719)	(81)
Contribution received in the acquisition of												
John T. Mather Memorial Hospital	75,819	–	75,819	–	–	–	–	–	–	–	–	–
Gain on sale of property	65,723	–	65,723	–	–	–	–	–	–	–	–	–
Other non-operating gains and losses	(21,677)	–	(8,645)	(739)	(376)	(11,885)	(32)	–	–	–	–	–
Total non-operating gains and losses	(70,608)	–	48,046	(24,354)	(35,978)	(34,859)	(6,196)	(2,235)	(11,570)	(2,893)	(754)	185
Excess (deficiency) of revenue and gains and losses over expenses	189,201	–	47,944	48,283	69,963	(7,093)	70,986	(22,268)	(3,288)	(12,296)	(76)	(2,954)
Net assets released from restrictions for capital asset acquisitions	27,482	–	2	1,402	10,071	968	8,940	6,099	–	–	–	–
Change in fair value of interest rate swap agreements designated as cash flow hedges	140	–	–	50	90	–	–	–	–	–	–	–
Transfers (to) from affiliates	(362,592)	–	111,860	(241,350)	(233,111)	–	9	–	–	–	–	–
Pension and other postretirement liability adjustments	(4,126)	–	(24,700)	7,095	3,470	907	3,785	1,402	2,569	536	537	273
Other changes in net assets	2,875	–	–	–	–	–	2,875	–	–	–	–	–
(Decrease) increase in net assets without donor restrictions	\$ (147,020)	\$ –	\$ 135,106	\$ (184,520)	\$ (149,517)	\$ (5,218)	\$ 86,595	\$ (14,767)	\$ (719)	\$ (11,760)	\$ 461	\$ (2,681)

Northwell Health, Inc.

Consolidating Statement of Operations – Phelps Memorial Hospital
(In Thousands)

Year Ended December 31, 2018

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
Operating revenue:					
Net patient service revenue	\$ 259,776	\$ –	\$ 259,776	\$ –	\$ –
Physician practice revenue	25,851	–	5,834	–	20,017
Total patient revenue	285,627	–	265,610	–	20,017
Other operating revenue	24,144	(2,320)	23,787	2,346	331
Net assets released from restrictions used for operations	78	–	78	–	–
Total operating revenue	309,849	(2,320)	289,475	2,346	20,348
Operating expenses:					
Salaries	152,345	–	126,453	198	25,694
Employee benefits	24,405	–	19,874	50	4,481
Supplies and expenses	81,361	(2,320)	76,905	733	6,043
Depreciation and amortization	13,344	–	12,769	294	281
Interest	1,057	–	963	94	–
Total operating expenses	272,512	(2,320)	236,964	1,369	36,499
Excess (deficiency) of operating revenue over operating expenses	37,337	–	52,511	977	(16,151)
Non-operating gains and losses:					
Investment income	2,063	–	2,059	4	–
Change in net unrealized gains and losses and change in value of equity method investments	(4,812)	–	(4,812)	–	–
Other non-operating gains and losses	255	–	255	–	–
Total non-operating gains and losses	(2,494)	–	(2,498)	4	–
Excess (deficiency) of revenue and gains and losses over expenses	34,843	–	50,013	981	(16,151)
Net assets released from restrictions for capital asset acquisitions	5,946	–	5,946	–	–
Other changes in net assets	(200)	492	–	(692)	–
Increase (decrease) in net assets without donor restrictions	\$ 40,589	\$ 492	\$ 55,959	\$ 289	\$ (16,151)

Northwell Health, Inc.

Consolidating Statement of Operations – Northern Westchester Hospital (In Thousands)

Year Ended December 31, 2018

	Northern Westchester Hospital Association and Subsidiaries	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Operating revenue:				
Net patient service revenue	\$ 274,010	\$ 274,010	\$ –	\$ –
Physician practice revenue	6,382	6,382	–	–
Total patient revenue	<u>280,392</u>	<u>280,392</u>	<u>–</u>	<u>–</u>
Other operating revenue	6,538	5,044	–	1,494
Net assets released from restrictions used for operations	594	594	–	–
Total operating revenue	<u>287,524</u>	<u>286,030</u>	<u>–</u>	<u>1,494</u>
Operating expenses:				
Salaries	128,658	128,565	–	93
Employee benefits	34,436	34,436	–	–
Supplies and expenses	85,755	84,801	–	954
Depreciation and amortization	15,264	14,694	–	570
Interest	1,577	1,577	–	–
Total operating expenses	<u>265,690</u>	<u>264,073</u>	<u>–</u>	<u>1,617</u>
Excess (deficiency) of operating revenue over operating expenses	21,834	21,957	–	(123)
Non-operating gains and losses:				
Investment income	2,704	2,351	–	353
Change in net unrealized gains and losses and change in value of equity method investments	(6,106)	(6,106)	–	–
Non-operating net periodic benefit credit	1,144	1,144	–	–
Other non-operating gains and losses	(1,189)	(1)	(1,188)	–
Total non-operating gains and losses	<u>(3,447)</u>	<u>(2,612)</u>	<u>(1,188)</u>	<u>353</u>
Excess (deficiency) of revenue and gains and losses over expenses	18,387	19,345	(1,188)	230
Net assets released from restrictions for capital asset acquisitions	9,422	9,422		
Change in fair value of interest rate swap agreements designated as cash flow hedges	111	111	–	–
Transfers from affiliates	15,000	15,000	–	–
Pension and other postretirement liability adjustments	(784)	(784)	–	–
Increase (decrease) in net assets without donor restrictions	<u>\$ 42,136</u>	<u>\$ 43,094</u>	<u>\$ (1,188)</u>	<u>\$ 230</u>

Northwell Health, Inc.

Combining Statement of Operations –
Joint Venture Ambulatory Surgery Centers
(In Thousands)

Year Ended December 31, 2018

	Joint Venture Ambulatory Surgery Centers	Endoscopy Center of Long Island	Endo Group, LLC	South Shore Surgery Center	Suffolk Surgery Center	Digestive Health Center of Huntington	Greenwich Village Surgery Center	Melville Surgery Center
Operating revenue:								
Net patient service revenue	\$ 63,379	\$ 19,643	\$ 11,053	\$ 8,349	\$ 5,393	\$ 3,940	\$ 699	\$ 14,302
Total patient revenue	63,379	19,643	11,053	8,349	5,393	3,940	699	14,302
Other operating revenue	32	–	–	29	–	–	3	–
Total operating revenue	63,411	19,643	11,053	8,378	5,393	3,940	702	14,302
Operating expenses:								
Salaries	12,878	2,043	2,834	1,889	1,159	1,139	1,133	2,681
Employee benefits	2,320	324	447	339	287	215	235	473
Supplies and expenses	29,083	5,570	5,807	3,944	3,036	1,001	4,713	5,012
Depreciation and amortization	2,905	36	225	286	274	27	1,480	577
Interest	119	–	81	12	8	–	–	18
Total operating expenses	47,305	7,973	9,394	6,470	4,764	2,382	7,561	8,761
Excess (deficiency) of operating revenue over operating expenses	16,106	11,670	1,659	1,908	629	1,558	(6,859)	5,541
Non-operating gains and losses:								
Investment income	(226)	(24)	(120)	(20)	(6)	(12)	(5)	(39)
Total non-operating gains and losses	(226)	(24)	(120)	(20)	(6)	(12)	(5)	(39)
Excess (deficiency) of revenue and gains and losses over expenses	15,880	11,646	1,539	1,888	623	1,546	(6,864)	5,502
Transfers from affiliates	11,205	–	–	–	–	–	11,205	–
Other changes in net assets	(19,848)	(10,843)	(690)	(1,500)	(778)	(1,110)	–	(4,927)
Increase (decrease) in net assets without donor restrictions	\$ 7,237	\$ 803	\$ 849	\$ 388	\$ (155)	\$ 436	\$ 4,341	\$ 575

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APPENDIX B-2

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF NORTHWELL
HEALTH, INC. FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018**

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Northwell Health, Inc.
Consolidated Financial Statements and Supplementary Information
For the Six Months Ended June 30, 2019 and 2018

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Northwell Health, Inc.

Consolidated Statements of Financial Position
June 30, 2019 and December 31, 2018 (In Thousands)

	(Unaudited) June 30, 2019	(Audited) December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 567,969	\$ 538,964
Short-term investments	2,717,280	2,581,695
Accounts receivable for services to patients, net	1,188,029	1,130,325
Accounts receivable for physician activities, net	225,478	205,422
Pledges receivable, current portion	42,893	67,590
Insurance claims receivable, current portion	54,877	54,877
Other current assets	390,277	326,685
Total current assets	<u>5,186,803</u>	<u>4,905,558</u>
Long-term investments	2,176,930	2,066,327
Pledges receivable, net of current portion	92,964	99,146
Property, plant and equipment, net	5,496,897	5,392,562
Right-of-use assets – operating leases	900,936	-
Insurance claims receivable, net of current portion	168,412	182,426
Other assets	403,158	390,963
Total assets	<u>\$ 14,426,100</u>	<u>\$ 13,036,982</u>
Liabilities and net assets		
Current liabilities:		
Short-term borrowings	\$ 96,750	\$ 103,500
Accounts payable and accrued expenses	998,187	979,100
Accrued salaries and related benefits	882,006	891,525
Current portion of operating lease obligations	118,457	-
Current portion of finance lease obligations	6,679	6,720
Current portion of long-term debt	56,938	55,469
Current portion of insurance claims liability	54,877	54,877
Current portion of malpractice and other insurance liabilities	175,728	175,728
Current portion of estimated payables to third-party payers	294,259	270,578
Total current liabilities	<u>2,683,881</u>	<u>2,537,497</u>
Accrued retirement benefits, net of current portion	1,050,277	1,041,936
Operating lease obligations, net of current portion	810,180	-
Finance lease obligations, net of current portion	185,876	177,449
Long-term debt, net of current portion	3,153,753	3,199,039
Insurance claims liability, net of current portion	168,412	182,426
Malpractice and other insurance liabilities, net of current portion	1,297,827	1,220,562
Other long-term liabilities	674,883	694,538
Total liabilities	<u>10,025,089</u>	<u>9,053,447</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	3,743,032	3,344,826
With donor restrictions	657,979	638,709
Total net assets	<u>4,401,011</u>	<u>3,983,535</u>
Total liabilities and net assets	<u>\$ 14,426,100</u>	<u>\$ 13,036,982</u>

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Operations
For the Six Months Ended June 30, 2019 and 2018 (In Thousands)

	(Unaudited) 2019	(Unaudited) 2018
Operating revenue:		
Net patient service revenue	\$ 4,610,665	\$ 4,257,785
Physician practice revenue	1,007,300	907,770
Total patient revenue	<u>5,617,965</u>	<u>5,165,555</u>
Other operating revenue	404,591	366,181
Net assets released from restrictions used for operations	<u>33,712</u>	<u>32,619</u>
	<u>6,056,268</u>	<u>5,564,355</u>
Operating expenses:		
Salaries	3,111,744	2,845,516
Employee benefits	729,847	684,046
Supplies and expenses	1,817,638	1,663,657
Depreciation and amortization	256,150	246,617
Interest	71,017	71,656
	<u>5,986,396</u>	<u>5,511,492</u>
Excess of operating revenue over operating expenses, excluding Health Insurance Companies	<u>69,872</u>	<u>52,863</u>
Health Insurance Companies operating revenue	1,463	75,458
Health Insurance Companies operating expenses	1,463	75,458
Health Insurance Companies excess of operating revenue over operating expenses	-	-
Total excess of operating revenue over operating expenses	<u>69,872</u>	<u>52,863</u>
Non-operating gains and losses:		
Investment income	64,337	69,091
Change in net unrealized gains and losses and change in value of equity method investments	288,218	(65,822)
Change in fair value of interest rate swap agreements designated as derivative instruments	(542)	590
Non-operating net periodic benefit cost	(8,546)	(10,073)
Contribution received in the acquisition of John T. Mather Memorial Hospital	-	75,819
Gain on sale of property	-	64,178
Other non-operating gains and losses	(20,325)	(8,270)
Total non-operating gains and losses	<u>323,142</u>	<u>125,513</u>
Excess of revenue and gains and losses over expenses	393,014	178,376
Net assets released from restrictions for capital asset acquisitions	9,942	23,898
Change in fair value of interest rate swap agreements designated as cash flow hedges	(449)	1,446
Other changes in net assets	(4,301)	(3,997)
Increase in net assets without donor restriction	<u>\$ 398,206</u>	<u>\$ 199,723</u>

See accompanying notes.

Northwell Health, Inc.

**Consolidated Statements of Changes in Net Assets
For the Six Months Ended June 30, 2019 and 2018 (In Thousands)**

	(Unaudited)		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2018	\$ 3,315,111	\$ 630,947	\$ 3,946,058
Contributions and grants	-	47,455	47,455
Investment income	-	6,804	6,804
Change in net unrealized gains and losses and change in value of equity method investments	-	3,440	3,440
Contribution received in the acquisition of John T. Mather Medical Center	-	3,241	3,241
Excess of revenue and gains and losses over expenses	178,376	-	178,376
Net assets released from restrictions for:			
Capital asset acquisitions	23,898	(23,898)	-
Operations	-	(32,619)	(32,619)
Non-operating activities	-	(8,069)	(8,069)
Change in fair value of interest rate swap agreements designated as cash flow hedges	1,446	-	1,446
Other changes in net assets	(3,997)	(351)	(4,348)
Increase (decrease) in net assets	199,723	(3,997)	195,726
Net assets, June 30, 2018	\$ 3,514,834	\$ 626,950	\$ 4,141,784

	(Unaudited)		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2019	\$ 3,344,826	\$ 638,709	\$ 3,983,535
Contributions and grants	-	43,416	43,416
Investment income	-	4,402	4,402
Change in net unrealized gains and losses and change in value of equity method investments	-	20,198	20,198
Excess of revenue and gains and losses over expenses	393,014	-	393,014
Net assets released from restrictions for:			
Capital asset acquisitions	9,942	(9,942)	-
Operations	-	(33,712)	(33,712)
Non-operating activities	-	(5,102)	(5,102)
Change in fair value of interest rate swap agreements designated as cash flow hedges	(449)	-	(449)
Other changes in net assets	(4,301)	10	(4,291)
Increase in net assets	398,206	19,270	417,476
Net assets, June 30, 2019	\$ 3,743,032	\$ 657,979	\$ 4,401,011

See accompanying notes.

Northwell Health, Inc.

**Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2019 and 2018 (In Thousands)**

	(Unaudited) 2019	(Unaudited) 2018
Cash flows from operating activities		
Increase in net assets	\$ 417,476	\$ 195,726
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contribution received in the acquisition of John T. Mather Memorial Hospital	-	(79,060)
Permanent endowment donor contributions	(1,709)	(3,654)
Depreciation and amortization	256,407	247,016
Amortization of bond premiums, discounts and financing costs	(762)	(785)
Net realized gains and losses, change in net unrealized gains and losses and change in value of equity method investments	(351,554)	(2,881)
Change in fair value of interest rate swap agreements	991	(2,036)
Gain on sale of property	-	(64,178)
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	(57,704)	(3,069)
Accounts receivable for physician activities, net	(20,056)	(42,028)
Pledges receivable	4,363	31,968
Current portion of estimated payables to third party-payers	23,681	18,592
Accrued retirement benefits, net of current portion	8,341	(23,667)
Malpractice and other insurance liabilities	77,265	87,281
Net change in all other operating assets and liabilities	(52,832)	(73,798)
Net cash provided by operating activities	<u>303,907</u>	<u>285,427</u>
Cash flows from investing activities		
Capital expenditures	(349,044)	(392,992)
Proceeds from sale of property	-	64,178
Net cash from sales of short-term and long-term investments	105,331	246,603
Cash received in the acquisition of John T. Mather Memorial Hospital	-	15,222
Payments for acquisitions and clinical joint venture investments, net	(6,297)	(105,548)
Net cash used in investing activities	<u>(250,010)</u>	<u>(172,537)</u>
Cash flows from financing activities		
Principal payments on long-term debt and finance lease obligations	(46,367)	(39,235)
Payments on short-term borrowings	(101,750)	(390)
Proceeds from short-term borrowings	95,000	-
Proceeds from permanent endowment donor contributions	28,225	2,554
Net cash used in financing activities	<u>(24,892)</u>	<u>(37,071)</u>
Net increase in cash and cash equivalents	29,005	75,819
Cash and cash equivalents, beginning of period	538,964	399,856
Cash and cash equivalents, end of period	<u>\$ 567,969</u>	<u>\$ 475,675</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for interest (exclusive of amount capitalized)	<u>\$ 71,632</u>	<u>\$ 72,571</u>
Supplemental disclosure of noncash investing and financing activities		
Assets acquired under finance lease obligations	<u>\$ 11,698</u>	<u>\$ 1,914</u>
Right-of-use assets obtained in exchange for operating lease obligations	<u>\$ 74,124</u>	<u>\$ -</u>

See accompanying notes.

Northwell Health, Inc.

Consolidating Statement of Financial Position
June 30, 2019 (Unaudited and In Thousands)

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	Peconic Bay Medical Centers and Subsidiaries	John T. Mather Memorial Hospital and Subsidiary	The Long Island Home	Hospice Care Network	The Feinstein Institute for Medical Research	Northwell Health Foundation	Northwell Health Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Joint Venture Ambulatory Surgery Centers	Other Northwell Health Entities
Assets																	
Current assets:																	
Cash and cash equivalents	\$567,969	\$-	\$402,608	\$2,443	\$22,424	\$11,661	\$16,071	\$4,165	\$8,901	\$-	\$22,283	\$-	\$1,027	\$-	\$27,134	\$5,588	\$43,664
Short-term investments	2,717,280	-	2,183,717	118,337	111,995	18,281	26,218	105	41,194	26	105,620	-	34,767	964	76,056	-	-
Accounts receivable for services to patients, net	1,188,029	(4,194)	1,013,084	33,165	35,873	20,724	47,960	11,154	7,547	19	-	-	-	630	-	7,327	14,740
Accounts receivable for physician activities, net	225,478	(887)	161,223	2,300	2,001	4,657	3,156	-	-	-	-	-	-	-	-	-	53,028
Pledges receivable, current portion	42,893	-	-	-	-	-	-	-	81	-	42,812	-	-	-	-	-	-
Insurance claims receivable, current portion	54,877	-	52,037	202	586	189	-	1,394	35	90	6	338	-	-	-	-	-
Other current assets	390,277	(143)	245,697	6,867	8,011	7,134	14,575	3,945	528	12,982	694	37,160	4,377	63	5,667	1,500	41,220
Total current assets	5,186,803	(5,224)	4,058,366	163,314	180,890	62,646	107,980	20,763	58,286	13,117	171,415	37,498	40,171	1,657	108,857	14,415	152,652
Due from affiliates, net	-	(485,307)	464,726	3,687	-	-	-	-	54	-	-	10,232	-	4,462	-	-	2,146
Long-term investments	2,176,930	(328,270)	1,793,179	29,503	50,607	17,216	28,856	-	2,132	115,193	101,480	-	190,992	7,041	13,919	370	154,712
Pledges receivable, net of current portion	92,964	-	-	205	4,335	-	-	-	-	-	83,740	-	-	-	-	-	4,684
Property, plant and equipment, net	5,496,897	-	4,451,045	174,767	208,839	123,451	98,863	43,667	922	48,787	1,065	103,022	-	318	-	29,794	212,357
Right-of-use assets – operating leases	900,936	-	508,094	6,223	9,948	6,148	12,397	-	3,246	168	1,672	12,072	-	912	-	8,823	331,233
Insurance claims receivable, net of current portion	168,412	(147,778)	264,673	5,806	2,454	466	-	2,759	103	266	17	771	12,485	-	-	-	-
Other assets	403,158	(175,051)	366,911	6,539	7,748	11,928	11,555	4,782	215	-	77	-	161	35	-	63,337	105,921
Total assets	14,426,100	(\$1,141,630)	\$11,906,994	\$389,044	\$464,821	\$221,855	\$286,041	\$71,971	\$64,958	\$177,531	\$359,466	\$163,595	\$248,271	\$9,963	\$122,776	\$118,885	\$961,559
Liabilities and net assets (deficit)																	
Current liabilities:																	
Short-term borrowings	\$96,750	\$-	\$95,000	\$-	\$-	\$-	\$1,750	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Accounts payable and accrued expenses	998,187	(5,224)	717,365	19,448	34,655	18,735	16,113	3,245	1,596	17,853	17,827	48,811	5,163	190	28,352	3,369	70,691
Accrued salaries and related benefits	882,006	-	743,437	12,985	11,810	17,793	17,387	5,891	1,654	5,648	1,317	8,145	-	376	1,470	870	53,223
Current portion of operating lease obligations	118,457	-	70,918	1,349	1,337	1,436	3,553	-	455	90	236	2,278	-	175	-	1,717	34,913
Current portion of finance lease obligations	6,679	-	2,398	-	-	1,365	2,914	-	-	-	-	-	-	-	-	-	2
Current portion of long-term debt	56,938	-	46,333	1,913	3,673	2,167	2,533	-	-	-	-	-	-	-	-	319	-
Current portion of insurance claims liability	54,877	-	52,037	202	586	189	-	1,394	35	90	6	338	-	-	-	-	-
Current portion of malpractice and other insurance liabilities	175,728	-	132,434	2,029	3,753	1,402	835	-	508	-	-	-	34,767	-	-	-	-
Current portion of estimated payable to third-party payers	294,259	-	238,331	1,851	2,773	6,522	-	2,849	-	-	-	26,602	-	20	15,268	-	43
Total current liabilities	2,683,881	(5,224)	2,098,253	39,777	58,587	49,609	45,085	13,887	3,740	23,681	19,386	86,174	39,930	761	45,090	6,275	158,870
Due to affiliates, net	-	(464,255)	-	-	1,313	10,644	9,926	67,767	-	2,915	16,793	-	-	12,870	289	-	341,738
Accrued retirement benefits, net of current portion	1,050,277	-	934,417	5,045	39,631	3,455	60,337	7,026	210	-	-	-	-	-	156	-	-
Operating lease obligations, net of current portion	810,180	-	455,363	4,874	9,248	4,712	8,844	-	3,645	79	1,491	10,042	-	737	-	7,224	303,921
Finance lease obligations, net of current portion	185,876	-	178,701	-	-	2,221	4,682	-	-	-	-	-	-	-	-	-	272
Long-term debt, net of current portion	3,153,753	-	3,017,006	28,220	46,387	29,860	26,146	-	-	-	-	-	-	-	-	-	6,134
Insurance claims liability, net of current portion	168,412	(147,778)	264,673	5,806	2,454	466	26,390	2,759	103	266	17	771	12,485	-	-	-	-
Malpractice and other insurance liabilities, net of current portion	1,297,827	(10,245)	1,122,488	14,831	20,022	13,609	18,079	4,215	-	-	-	-	114,828	-	-	-	-
Other long-term liabilities	674,883	-	625,982	6,321	12,423	4,502	2,179	-	-	28	6,150	1,304	-	-	-	15,309	685
Total liabilities	10,025,089	(627,502)	8,696,883	104,874	190,065	119,078	201,668	95,654	7,698	26,969	43,837	98,291	167,243	14,368	45,535	35,214	805,214
Commitments and contingencies																	
Net assets (deficit):																	
Without donor restrictions	3,743,032	(183,822)	2,749,151	275,786	240,986	95,693	81,872	(23,683)	55,515	20,116	-	65,304	81,028	(11,050)	77,241	83,671	135,224
With donor restrictions	657,979	(330,306)	460,960	8,384	33,770	7,084	2,501	-	1,245	130,446	315,629	-	-	6,645	-	-	21,121
Total net assets (deficit)	4,401,011	(514,128)	3,210,111	284,170	274,756	102,777	84,373	(23,683)	57,260	150,562	315,629	65,304	81,028	(4,405)	77,241	83,671	156,345
Total liabilities and net assets (deficit)	\$14,426,100	(\$1,141,630)	\$11,906,994	\$389,044	\$464,821	\$221,855	\$286,041	\$71,971	\$64,958	\$177,531	\$359,466	\$163,595	\$248,271	\$9,963	\$122,776	\$118,885	\$961,559

Northwell Health, Inc.

Combining Statement of Financial Position - Northwell Health Obligated Group
June 30, 2019 (Unaudited and In Thousands)

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	Southside Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Northwell Health Stern Family Center for Rehabilitation
Assets												
Current assets:												
Cash and cash equivalents	\$402,608	\$-	\$364,573	\$33,200	\$841	\$827	\$963	\$216	\$333	\$1,194	\$460	\$1
Short-term investments	2,183,717	-	32,469	720,251	654,197	439,661	50,120	5,370	221,516	59,853	184	96
Accounts receivable for services to patients, net	1,013,084	-	-	238,324	327,645	132,042	157,425	65,494	50,521	11,059	21,853	8,721
Accounts receivable for physician activities, net	161,223	-	-	145,532	2,937	-	11,146	1,188	240	95	85	-
Insurance claims receivable, current portion	52,037	-	1,023	12,730	13,693	7,380	8,893	3,335	2,382	788	1,509	304
Other current assets	245,697	(3,000)	54,041	62,999	55,608	26,128	25,524	10,657	6,362	3,249	4,048	81
Total current assets	\$4,058,366	(3,000)	452,106	1,213,036	1,054,921	606,038	254,071	86,260	281,354	76,238	28,139	9,203
Due from affiliates, net	464,726	(131,434)	104,267	110,888	323,971	39,458	-	-	-	-	-	17,576
Long-term investments	1,793,179	-	796,999	274,288	382,693	178,550	82,350	18,590	32,497	10,895	656	15,661
Property, plant and equipment, net	4,451,045	-	966,232	479,054	1,235,162	199,573	996,657	298,965	176,843	47,367	41,978	9,214
Right-of-use assets – operating leases	508,094	-	162,147	111,427	67,906	66,949	62,692	10,204	15,804	1,788	9,177	-
Insurance claims receivable, net of current portion	264,673	-	2,334	59,902	92,962	40,896	35,632	15,145	5,691	5,365	6,053	693
Other assets	366,911	(5,116)	93,996	215,834	14,512	13,247	33,048	1,390	-	-	-	-
Total assets	\$11,906,994	(\$139,550)	\$2,578,081	\$2,464,429	\$3,172,127	\$1,144,711	\$1,464,450	\$430,554	\$512,189	\$141,653	\$86,003	\$52,347
Liabilities and net assets (deficit)												
Current liabilities:												
Short-term borrowings	\$95,000	\$-	\$-	\$-	\$95,000	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Accounts payable and accrued expenses	717,365	-	203,241	143,791	135,465	53,074	86,734	41,823	26,856	12,702	12,044	1,635
Accrued salaries and related benefits	743,437	-	281,827	118,710	152,617	46,487	61,623	35,329	24,066	7,095	13,369	2,314
Current portion of operating lease obligations	70,918	-	30,692	15,979	9,280	6,130	3,817	1,759	2,508	119	634	-
Current portion of finance lease obligations	2,398	-	1,732	158	51	111	262	-	84	-	-	-
Current portion of long-term debt	46,333	-	5,502	11,378	20,114	4,000	1,820	55	55	847	1,676	886
Current portion of insurance claims liability	52,037	-	1,023	12,730	13,693	7,380	8,893	3,335	2,382	788	1,509	304
Current portion of malpractice and other insurance liabilities	132,434	-	34,441	27,205	29,778	16,036	9,399	7,143	4,708	1,624	2,100	-
Current portion of estimated payable to third-party payers	238,331	-	1,116	67,422	126,824	16,920	5,067	13,543	2,709	980	-	3,750
Total current liabilities	\$2,098,253	-	559,574	397,373	582,822	150,138	177,615	102,987	63,368	24,155	31,332	8,889
Due to affiliates, net	-	(256,229)	-	-	-	-	38,548	200,267	7,020	8,102	2,292	-
Accrued retirement benefits, net of current portion	934,417	-	322,543	148,551	72,393	8,560	166,584	62,639	109,115	12,491	25,279	6,262
Operating lease obligations, net of current portion	455,363	-	133,342	96,544	59,002	73,095	61,412	8,445	13,311	1,669	8,543	-
Finance lease obligations, net of current portion	178,701	-	96,927	849	67,603	457	11,319	1,063	483	-	-	-
Long-term debt, net of current portion	3,017,006	-	1,780,759	82,906	814,813	66,512	112,250	71,098	78,099	4,187	5,062	1,320
Insurance claims liability, net of current portion	264,673	-	2,334	59,902	92,962	40,896	35,632	15,145	5,691	5,365	6,053	693
Malpractice and other insurance liabilities, net of current portion	1,122,488	-	161,455	258,873	296,979	158,175	94,525	71,379	45,641	15,188	20,273	-
Other long-term liabilities	625,982	-	70,859	143,932	237,470	33,717	63,899	46,863	11,218	7,321	9,991	712
Total liabilities	\$8,696,883	(256,229)	3,127,793	1,188,930	2,224,044	531,550	761,784	579,886	333,946	78,478	108,825	17,876
Commitments and contingencies												
Net assets (deficit):												
Without donor restrictions	2,749,151	116,679	(549,712)	1,119,461	789,909	600,763	605,012	(155,410)	163,293	48,950	(23,369)	33,575
With donor restrictions	460,960	-	-	156,038	158,174	12,398	97,654	6,078	14,950	14,225	547	896
Total net assets (deficit)	3,210,111	116,679	(549,712)	1,275,499	948,083	613,161	702,666	(149,332)	178,243	63,175	(22,822)	34,471
Total liabilities and net assets (deficit)	\$11,906,994	(\$139,550)	\$2,578,081	\$2,464,429	\$3,172,127	\$1,144,711	\$1,464,450	\$430,554	\$512,189	\$141,653	\$86,003	\$52,347

Northwell Health, Inc.

Consolidating Statement of Financial Position - Phelps Memorial Hospital
June 30, 2019 (Unaudited and In Thousands)

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
Assets					
Current assets:					
Cash and cash equivalents	\$2,443	\$-	\$1,054	\$1,389	\$-
Short-term investments	118,337	-	118,337	-	-
Accounts receivable for services to patients, net	33,165	-	33,165	-	-
Accounts receivable for physician activities, net	2,300	-	775	-	1,525
Insurance claims receivable, current portion	202	-	202	-	-
Other current assets	6,867	-	6,589	140	138
Total current assets	\$163,314	-	160,122	1,529	1,663
Due from affiliates, net	3,687	(19,228)	22,597	318	-
Long-term investments	29,503	-	29,503	-	-
Pledges receivable, net of current portion	205	-	205	-	-
Property, plant and equipment, net	174,767	-	163,426	8,783	2,558
Right-of-use assets – operating leases	6,223	-	1,630	-	4,593
Insurance claims receivable, net of current portion	5,806	-	5,806	-	-
Other assets	5,539	(868)	6,407	-	-
Total assets	\$389,044	(\$20,096)	\$389,696	\$10,630	\$8,814
Liabilities and net assets (deficit)					
Current liabilities:					
Accounts payable and accrued expenses	\$19,448	\$-	\$18,793	\$31	\$624
Accrued salaries and related benefits	12,985	-	10,374	-	2,611
Current portion of operating lease obligations	1,349	-	388	-	961
Current portion of long-term debt	1,913	-	1,685	228	-
Current portion of insurance claims liability	202	-	202	-	-
Current portion of malpractice and other insurance liabilities	2,029	-	2,029	-	-
Current portion of estimated payable to third-party payers	1,851	-	1,851	-	-
Total current liabilities	\$39,777	-	35,322	259	4,196
Due to affiliates, net	-	(19,228)	-	-	19,228
Accrued retirement benefits, net of current portion	5,045	-	5,045	-	-
Operating lease obligations, net of current portion	4,874	-	1,242	-	3,632
Long-term debt, net of current portion	28,220	-	25,400	2,820	-
Insurance claims liability, net of current portion	5,806	-	5,806	-	-
Malpractice and other insurance liabilities, net of current portion	14,831	-	14,831	-	-
Other long-term liabilities	6,321	-	6,320	-	1
Total liabilities	\$104,874	(19,228)	93,966	3,079	27,057
Commitments and contingencies					
Net assets (deficit):					
Without donor restrictions	275,786	(868)	287,346	7,551	(18,243)
With donor restrictions	8,384	-	8,384	-	-
Total net assets (deficit)	284,170	(868)	295,730	7,551	(18,243)
Total liabilities and net assets (deficit)	\$389,044	(\$20,096)	\$389,696	\$10,630	\$8,814

Northwell Health, Inc.

Consolidating Statement of Financial Position - Northern Westchester Hospital
June 30, 2019 (Unaudited and In Thousands)

	Northern Westchester Hospital Association and Subsidiaries	Eliminations	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Assets					
Current assets:					
Cash and cash equivalents	\$22,424	\$-	\$21,686	\$-	\$738
Short-term investments	111,995	-	111,995	-	-
Accounts receivable for services to patients, net	35,873	-	35,873	-	-
Accounts receivable for physician activities, net	2,001	-	2,001	-	-
Insurance claims receivable, current portion	586	-	586	-	-
Other current assets	8,011	-	8,011	-	-
Total current assets	\$180,890	-	180,152	-	738
Due from affiliates, net	-	(12,175)	12,175	-	-
Long-term investments	50,607	-	11,786	38,821	-
Pledges receivable, net of current portion	4,335	-	-	4,335	-
Property, plant and equipment, net	208,839	-	195,284	31	13,524
Right-of-use assets – operating leases	9,948	-	9,948	-	-
Insurance claims receivable, net of current portion	2,454	-	2,454	-	-
Other assets	7,748	-	6,819	-	929
Total assets	\$464,821	(\$12,175)	\$418,618	\$43,187	\$15,191
Liabilities and net assets					
Current liabilities:					
Accounts payable and accrued expenses	\$34,655	\$-	\$34,558	\$19	\$78
Accrued salaries and related benefits	11,810	-	11,737	73	-
Current portion of operating lease obligations	1,337	-	1,337	-	-
Current portion of long-term debt	3,673	-	3,673	-	-
Current portion of insurance claims liability	586	-	586	-	-
Current portion of malpractice and other insurance liabilities	3,753	-	3,753	-	-
Current portion of estimated payable to third-party payers	2,773	-	2,773	-	-
Total current liabilities	\$58,587	-	58,417	92	78
Due to affiliates, net	1,313	(12,175)	-	9,047	4,441
Accrued retirement benefits, net of current portion	39,631	-	39,631	-	-
Operating lease obligations, net of current portion	9,248	-	9,248	-	-
Long-term debt, net of current portion	46,387	-	46,387	-	-
Insurance claims liability, net of current portion	2,454	-	2,454	-	-
Malpractice and other insurance liabilities, net of current portion	20,022	-	20,022	-	-
Other long-term liabilities	12,423	-	11,188	-	1,235
Total liabilities	\$190,065	(12,175)	187,347	9,139	5,754
Commitments and contingencies					
Net assets:					
Without donor restrictions	240,986	-	230,326	1,223	9,437
With donor restrictions	33,770	-	945	32,825	-
Total net assets	274,756	-	231,271	34,048	9,437
Total liabilities and net assets	\$464,821	(\$12,175)	\$418,618	\$43,187	\$15,191

Northwell Health, Inc.

Combining Statement of Financial Position - Joint Venture Ambulatory Surgery Centers
June 30, 2019 (Unaudited and In Thousands)

	Joint Venture Ambulatory Surgery Centers	Eliminations	Endoscopy Center of Long Island	Endo Group LLC	South Shore Surgery Center	Suffolk Surgery Center	Digestive Health Center of Huntington	Greenwich Village Surgery Center	Melville Surgery Center
Assets									
Current assets:									
Cash and cash equivalents	\$5,588	\$-	\$1,325	\$1,839	\$333	\$428	\$350	\$339	\$974
Accounts receivable for services to patients, net	7,327	-	-	400	1,159	1,034	736	370	3,628
Other current assets	1,500	-	13	-	452	384	68	-	583
Total current assets	\$14,415	-	1,338	2,239	1,944	1,846	1,154	709	5,185
Due from affiliates, net	2,146	(3,653)	-	5,786	13	-	-	-	-
Long-term investments	370	-	-	370	-	-	-	-	-
Property, plant and equipment, net	29,794	-	320	7,028	2,661	550	208	18,207	820
Right-of-use leased assets	8,823	-	1,495	2,996	3,337	-	274	-	721
Other assets	63,337	-	29,939	6,249	4,143	5,358	4,237	-	13,411
Total assets	\$118,885	(\$3,653)	\$33,092	\$24,668	\$12,098	\$7,754	\$5,873	\$18,916	\$20,137
Liabilities and net assets									
Current liabilities:									
Accounts payable and accrued expenses	\$3,367	\$-	\$211	\$212	\$803	\$297	\$250	\$999	\$595
Accrued salaries and related benefits	870	-	179	59	144	67	51	66	304
Current portion of operating lease obligations	1,717	-	394	578	261	-	172	-	312
Current portion of finance lease obligations	2	-	-	-	-	-	-	-	2
Current portion of long-term debt	319	-	-	159	-	97	63	-	-
Total current liabilities	\$6,275	\$-	784	1,008	1,208	461	536	1,065	1,213
Due to affiliates, net	-	(3,653)	228	-	-	67	60	3,271	27
Operating lease obligations, net of current portion	7,224	-	1,101	2,418	3,076	-	102	-	527
Finance lease obligations, net of current portion	272	-	-	-	76	-	-	-	196
Long-term debt, net of current portion	6,134	-	-	6,020	-	114	-	-	-
Other long-term liabilities	15,309	-	-	6,256	-	-	-	9,053	-
Total liabilities	\$35,214	(3,653)	2,113	15,702	4,360	642	698	13,389	1,963
Commitments and contingencies									
Net assets:									
Without donor restrictions	83,671	-	30,979	8,966	7,738	7,112	5,175	5,527	18,174
With donor restrictions	-	-	-	-	-	-	-	-	-
Total net assets	83,671	-	30,979	8,966	7,738	7,112	5,175	5,527	18,174
Total liabilities and net assets	\$118,885	(\$3,653)	\$33,092	\$24,668	\$12,098	\$7,754	\$5,873	\$18,916	\$20,137

Northwell Health, Inc.

Consolidating Statement of Operations
For the Six Months Ended June 30, 2019 (Unaudited and In Thousands)

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	Peconie Bay Medical Center and Subsidiaries	John T. Mather Memorial Hospital and Subsidiary	The Long Island Home	Hospice Care Network	The Feinstein Institute for Medical Research	Northwell Health Foundation	Northwell Health Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Joint Venture Ambulatory Surgery Centers	Other Northwell Health Entities
Operating revenue:																	
Net patient service revenue	\$4,610,665	(3850)	\$3,927,045	\$136,598	\$138,154	\$100,113	\$167,125	\$42,446	\$25,594	\$-	\$-	\$-	\$-	\$2,548	\$-	\$33,506	\$38,386
Physician practice revenue	1,007,300	(24,222)	660,590	11,312	2,310	12,566	16,887	929	153	-	-	-	-	-	-	-	326,775
Total patient revenue	\$5,617,965	(25,072)	4,587,635	147,910	140,464	112,679	184,012	43,375	25,747	-	-	-	-	2,548	-	33,506	365,161
Other operating revenue	404,591	(555,918)	452,916	5,445	3,007	2,379	3,201	2,384	52	32,496	-	242,008	9,556	1,288	-	19	205,758
Net assets released from restrictions used for operations	33,712	-	26,160	27	259	933	-	-	560	5,586	-	-	-	176	-	-	11
	6,056,288	(580,990)	5,066,711	153,382	143,730	115,991	187,213	45,759	26,359	38,082	-	242,008	9,556	4,012	-	33,525	570,930
Operating expenses:																	
Salaries	3,111,744	(96,689)	2,519,273	78,907	67,810	58,000	89,477	30,808	10,989	33,959	-	57,043	-	2,422	-	7,205	252,540
Employee benefits	729,847	(73,110)	632,899	12,277	17,761	16,673	22,932	12,911	3,628	10,716	-	19,693	-	991	-	1,310	51,166
Supplies and expenses	1,817,638	(411,191)	1,495,063	47,287	44,405	37,638	66,252	8,043	10,668	14,689	-	158,184	9,556	1,002	-	18,019	318,023
Depreciation and amortization	256,150	-	217,084	7,227	8,074	3,591	7,580	1,296	145	3,078	-	1,655	-	33	-	1,766	4,621
Interest	71,017	-	67,952	499	742	903	779	-	-	-	-	-	-	-	-	142	-
	5,986,396	(580,990)	4,932,271	146,197	138,792	116,805	187,020	53,058	25,430	62,442	-	236,575	9,556	4,448	-	28,442	626,350
Excess (deficiency) of operating revenue over operating expenses, excluding Health Insurance Companies	69,872	-	134,440	7,185	4,938	(814)	193	(7,299)	929	(24,360)	-	5,433	-	(436)	-	5,083	(55,420)
Health Insurance Companies operating revenue	1,463	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,463	-
Health Insurance Companies operating expenses	1,463	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,463	-
Health Insurance Companies excess of operating revenue over operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total excess (deficiency) of operating revenue over operating expenses	69,872	-	134,440	7,185	4,938	(814)	193	(7,299)	929	(24,360)	-	5,433	-	(436)	-	5,083	(55,420)
Non-operating gains and losses:																	
Investment income	64,337	-	56,053	2,247	1,588	810	83	44	753	28	1,092	(39)	2,300	-	(522)	(130)	30
Change in net unrealized gains and losses and change in value of equity method investments	288,218	-	243,356	9,187	6,895	-	2,639	-	2,903	17	1,831	-	15,928	-	3,298	-	2,164
Change in interest in acquired entities	-	(6,678)	6,678	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of interest rate swap agreements designated as derivative instruments	(542)	-	-	-	-	-	(542)	-	-	-	-	-	-	-	-	-	-
Non-operating net periodic benefit (cost) credit	(8,546)	-	(9,128)	-	600	45	(19)	551	(10)	(186)	(45)	(174)	-	(30)	(5)	-	(145)
Other non-operating gains and losses	(20,325)	-	(9,081)	53	(451)	-	-	96	-	(10,974)	-	-	-	-	-	-	32
Total non-operating gains and losses	323,142	(6,678)	287,878	11,487	8,632	855	2,161	595	3,742	(141)	(8,096)	(213)	18,228	(30)	2,771	(130)	2,081
Excess (deficiency) of revenue and gains and losses over expenses	393,014	(6,678)	422,318	18,672	13,570	41	2,354	(6,704)	4,671	(24,501)	(8,096)	5,220	18,228	(466)	2,771	4,953	(53,339)
Net assets released from restrictions for capital asset acquisitions	9,942	-	5,613	18	4,020	-	155	-	-	136	-	-	-	-	-	-	-
Change in fair value of interest rate swap agreements designated as cash flow hedges	(449)	-	-	-	(84)	(272)	(93)	-	-	-	-	-	-	-	-	-	-
Transfers (to) from affiliates	-	-	(89,903)	-	-	10,113	-	-	-	24,187	9,414	-	-	-	-	-	46,189
Other changes in net assets	(4,301)	6,552	-	(207)	-	-	-	-	-	-	-	-	-	-	-	(10,519)	(127)
Increase (decrease) in net assets without donor restrictions	398,206	(3126)	\$338,028	\$18,483	\$17,506	\$9,882	\$2,416	(\$6,704)	\$4,671	(\$178)	\$1,318	\$5,220	\$18,228	(\$466)	\$2,771	(\$5,566)	(\$7,277)

Northwell Health, Inc.

Combining Statement of Operations - Northwell Health Obligated Group
For the Six Months Ended June 30, 2019 (Unaudited and In Thousands)

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	Southside Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Northwell Health Stern Family Center for Rehabilitation
Operating revenue:												
Net patient service revenue	\$3,927,045	(\$112)	\$-	\$974,218	\$1,246,524	\$498,053	\$579,644	\$255,175	\$188,700	\$55,999	\$100,188	\$28,656
Physician practice revenue	660,590	-	-	247,758	203,661	-	71,053	69,680	45,234	9,458	13,082	664
Total patient revenue	\$4,587,635	(112)	-	1,221,976	1,450,185	498,053	650,697	324,855	233,934	65,457	113,270	29,320
Other operating revenue	452,916	(769,960)	763,415	200,276	98,522	23,313	106,727	16,138	4,814	2,471	6,825	375
Net assets released from restrictions used for operations	26,160	-	435	7,784	13,108	272	4,538	-	23	-	-	-
Total operating revenue	5,066,711	(770,072)	763,850	1,430,036	1,561,815	521,638	761,962	340,993	238,771	67,928	120,095	29,695
Operating expenses:												
Salaries	2,519,273	(242,849)	261,980	722,192	740,029	260,796	373,550	170,899	114,224	42,196	58,840	17,416
Employee benefits	632,899	(56,217)	74,148	148,582	193,922	76,563	83,331	46,198	29,487	10,720	19,570	6,595
Supplies and expenses	1,495,063	(471,006)	310,421	490,112	506,186	157,611	250,862	112,779	75,165	18,987	38,083	5,863
Depreciation and amortization	217,084	-	78,338	32,332	44,425	11,679	22,885	12,917	8,721	3,053	1,990	744
Interest	67,952	-	36,594	2,651	21,452	1,320	2,404	1,520	1,677	112	164	58
Total operating expenses	4,932,271	(770,072)	761,481	1,395,869	1,506,014	507,969	733,032	344,313	229,274	75,068	118,647	30,676
Excess (deficiency) of operating revenue over operating expenses	134,440	-	2,369	34,167	55,801	13,669	28,930	(3,320)	9,497	(7,140)	1,448	(981)
Non-operating gains and losses:												
Investment income	56,053	-	9,652	13,973	15,674	10,139	812	198	4,398	1,067	(40)	180
Change in net unrealized gains and losses and change in value of equity method investments	243,356	-	48,154	62,288	64,672	42,526	3,501	1,028	16,934	4,132	-	121
Change in interest in acquired entities	6,678	-	-	6,678	-	-	-	-	-	-	-	-
Non-operating net periodic benefit cost	(9,128)	-	(1,419)	(1,383)	(890)	(90)	(2,280)	(1,015)	(1,491)	(150)	(370)	(40)
Other non-operating gains and losses	(9,081)	-	(9,081)	-	-	-	-	-	-	-	-	-
Total non-operating gains and losses	287,878	-	47,306	81,556	79,456	52,575	2,033	211	19,841	5,049	(410)	261
Excess (deficiency) of revenue and gains and losses over expenses	422,318	-	49,675	115,723	135,257	66,244	30,963	(3,109)	29,338	(2,091)	1,038	(720)
Net assets released from restrictions for capital asset acquisitions	5,613	-	-	458	621	1,481	2,893	11	4	145	-	-
Transfers to affiliates	(89,903)	-	(65,761)	(13,029)	(11,113)	-	-	-	-	-	-	-
Increase (decrease) in net assets without donor restrictions	338,028	\$0	(\$16,086)	\$103,152	\$124,765	\$67,725	\$33,856	(\$3,098)	\$29,342	(\$1,946)	\$1,038	(\$720)

Northwell Health, Inc.

**Consolidating Statement of Operations - Phelps Memorial Hospital
For the Six Months Ended June 30, 2019 (Unaudited and In Thousands)**

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
Operating revenue:					
Net patient service revenue	\$136,598	\$-	\$136,598	\$-	\$-
Physician practice revenue	11,312	-	962	-	10,350
Total patient revenue	\$147,910	-	137,560	-	10,350
Other operating revenue	5,445	(10,042)	5,472	1,213	8,802
Net assets released from restrictions used for operations	27	-	27	-	-
Total operating revenue	\$153,382	(10,042)	143,059	1,213	19,152
Operating expenses:					
Salaries	78,907	(8,630)	74,088	101	13,348
Employee benefits	12,277	-	9,302	25	2,950
Supplies and expenses	47,287	(1,412)	43,507	416	4,776
Depreciation and amortization	7,227	-	6,911	147	169
Interest	499	-	454	45	-
Total operating expenses	146,197	(10,042)	134,262	734	21,243
Excess (deficiency) of operating revenue over operating expenses	\$7,185	-	8,797	479	(2,091)
Non-operating gains and losses:					
Investment income	2,247	-	2,244	3	-
Change in net unrealized gains and losses and change in value of equity method investments	9,187	-	9,187	-	-
Other non-operating gains and losses	53	-	53	-	-
Total non-operating gains and losses	11,487	-	11,484	3	-
Excess (deficiency) of revenue and gains and losses over expenses	18,672	-	20,281	482	(2,091)
Net assets released from restrictions for capital asset acquisitions	18	-	18	-	-
Other changes in net assets	(207)	508	-	(715)	-
Increase (decrease) in net assets without donor restrictions	\$18,483	\$508	\$20,299	(\$233)	(2,091)

Northwell Health, Inc.

Consolidating Statement of Operations - Northern Westchester Hospital
For the Six Months Ended June 30, 2019 (Unaudited and In Thousands)

	Northern Westchester Hospital Association and Subsidiaries	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Operating revenue:				
Net patient service revenue	\$138,154	\$138,154	\$-	\$-
Physician practice revenue	2,310	2,310	-	-
Total patient revenue	\$140,464	140,464	-	-
Other operating revenue	3,007	2,226	-	781
Net assets released from restrictions used for operations	259	259	-	-
Total operating revenue	143,730	142,949	-	781
Operating expenses:				
Salaries	67,810	67,762	-	48
Employee benefits	17,761	17,761	-	-
Supplies and expenses	44,405	43,948	-	457
Depreciation and amortization	8,074	7,789	-	285
Interest	742	742	-	-
Total operating expenses	138,792	138,002	-	790
Excess (deficiency) of operating revenue over operating expenses	4,938	4,947	-	(9)
Non-operating gains and losses:				
Investment income	1,588	1,508	-	80
Change in net unrealized gains and losses and change in value of equity method investments	6,895	6,895	-	-
Non-operating net periodic benefit credit	600	600	-	-
Other non-operating gains and losses	(451)	8	(459)	-
Total non-operating gains and losses	8,632	9,011	(459)	80
Excess (deficiency) of revenue and gains and losses over expenses	13,570	13,958	(459)	71
Net assets released from restrictions for capital asset acquisitions	4,020	4,020	-	-
Change in fair value of interest rate swap agreements designated as cash flow hedges	(84)	(84)	-	-
Increase (decrease) in net assets without donor restrictions	17,506	\$17,894	(\$459)	\$71

Northwell Health, Inc.

Combining Statement of Operations - Joint Venture Ambulatory Surgery Centers
For the Six Months Ended June 30, 2019 (Unaudited and In Thousands)

	Joint Venture Ambulatory Surgery Centers	Endoscopy Center of Long Island	Endo Group LLC	South Shore Surgery Center	Suffolk Surgery Center	Digestive Health Center of Huntington	Greenwich Village Surgery Center	Melville Surgery Center
Operating revenue:								
Net patient service revenue	\$33,506	\$10,280	\$5,071	\$4,226	\$2,588	\$1,773	\$2,296	\$7,272
Total patient revenue	33,506	10,280	5,071	4,226	2,588	1,773	2,296	7,272
Other operating revenue	19	-	-	9	-	-	10	-
Total operating revenue	33,525	10,280	5,071	4,235	2,588	1,773	2,306	7,272
Operating expenses:								
Salaries	7,205	1,013	1,677	1,050	569	569	933	1,394
Employee benefits	1,310	156	285	201	145	113	136	274
Supplies and expenses	18,019	3,047	3,868	1,945	1,462	593	4,293	2,811
Depreciation and amortization	1,766	35	397	145	161	60	788	180
Interest	142	-	126	2	3	-	-	11
Total operating expenses	28,442	4,251	6,353	3,343	2,340	1,335	6,150	4,670
Excess (deficiency) of operating revenue over operating expenses	5,083	6,029	(1,282)	892	248	438	(3,844)	2,602
Non-operating gains and losses:								
Investment income	(130)	(6)	(78)	(13)	-	(5)	(1)	(27)
Total non-operating gains and losses	(130)	(6)	(78)	(13)	-	(5)	(1)	(27)
Excess (deficiency) of revenue and gains and losses over expenses	4,953	6,023	(1,360)	879	248	433	(3,845)	2,575
Other changes in net assets	(10,519)	(6,544)	-	(1,051)	(406)	(451)	-	(2,067)
(Decrease) increase in net assets without donor restrictions	(\$5,566)	(\$521)	(\$1,360)	(\$172)	(\$158)	(\$18)	(\$3,845)	508

**Northwell Health Obligated Group
Utilization Statistics**

	Six Months Ended June 30,	
	<u>2018</u>	<u>2019</u>
<u>Inpatient</u>		
Discharges (excl. Nursery)	128,561	130,419
Patient Days (excl. Nursery)	719,669	730,086
Average Length of Stay (in Days)	5.60	5.60
Average Daily Census	3,976	4,034
Licensed Beds (excl. Nursery)	5,272	5,260
Beds Available (excl. Nursery) (1)	4,451	4,492
Occupancy Percentage (1)	89.3%	90.1%
Normal Newborn Discharges	12,557	12,120
Total Discharges	141,118	142,539
<u>Outpatient</u>		
Emergency Room Visits (2) (3)	285,838	283,137
Emergency Room Admissions (2)	83,873	84,998
Total ER Encounters	369,711	368,135
Health Center Visits	401,760	405,357
Ambulatory Surgery Visits	70,302	70,861
Home Care Admissions (4)	23,483	23,862
Other Outpatient Visits and Encounters	624,742	652,212

(1) Beds Available, which vary primarily based upon need, are reported as the number of beds at the end of each reporting period. Occupancy Percentage is calculated using the average beds available for the reporting period.

(2) Includes observation room.

(3) The slight decline in Emergency Room Visits is primarily due to a more severe flu season in 2018 compared to 2019.

(4) Certain revisions were made to the 2018 Home Care Admissions to conform to the 2019 presentation.

NOTE: The utilization statistics presented above only include members of Northwell Health that are in the Obligated Group. Refer to Management's Discussion and Analysis of Recent Financial Performance for total utilization statistics for all Northwell Health entities.

Northwell Health Obligated Group
Payer Mix
Percent of Gross Revenue (Inpatient & Outpatient)

	Six Months Ended June 30,	
	<u>2018</u>	<u>2019</u>
Medicare ⁽¹⁾	44%	44%
Medicaid ⁽²⁾	21%	21%
Commercial	30%	30%
Self Pay	2%	2%
Other	3%	3%
Total	100%	100%

(1) Includes Medicare Managed Care.

(2) Includes Medicaid Managed Care.

NOTE: The payer mix information presented above only includes members of Northwell Health that are in the Obligated Group.

Northwell Health, Inc.

Notes to Consolidated Financial Statements

June 30, 2019

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note A - Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles applied on a basis consistent with that of the 2018 audited consolidated financial statements of Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, “Northwell”). Northwell presumes that users of this interim financial information have read or have access to Northwell’s audited consolidated financial statements and that the adequacy of additional disclosures needed for a fair presentation may be determined in that context. The audited consolidated financial statements of Northwell 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. Information contained in Northwell’s audited consolidated financial statements for the years ended December 31, 2018 and 2017 is incorporated herein. Footnotes and other disclosures that would substantially duplicate the disclosures contained in Northwell’s most recent audited consolidated financial statements have been omitted. Accordingly, the accompanying unaudited interim consolidated financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all transactions considered necessary for a fair presentation have been included.

Patient volumes and net operating revenue and results are subject to seasonal and other variations caused by a number of factors. Monthly and periodic operating results are not necessarily representative of operations for a full year for various reasons, including occupancy levels and other patient volumes, interest rates, unusual or infrequent items and other seasonal fluctuations. These same considerations apply to year-to-year comparisons.

Northwell is an integrated health care delivery system in the New York metropolitan area. Most entities within Northwell 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 certain entities are not exempt from such income taxes. The exempt organizations are also exempt from New York State and local income taxes. The effect of income taxes is not material to the unaudited interim consolidated financial statements.

The accompanying unaudited interim consolidated financial statements include the accounts of the following principal operating organizations. All intercompany accounts and activities have been eliminated in consolidation.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note A - Basis of Presentation (continued)

Hospitals

- North Shore University Hospital (“NSUH”), including Syosset Hospital
- Long Island Jewish Medical Center (“LIJMC”), including Long Island Jewish Hospital, Long Island Jewish Forest Hills, Long Island Jewish Valley Stream, Steven and Alexandra Cohen Children’s Medical Center of New York, Zucker Hillside Hospital and Orzac Center for Rehabilitation
- Staten Island University Hospital (“Staten Island”), including both North and South campuses
- Lenox Hill Hospital (“Lenox”)
- Southside Hospital (“Southside”)
- Glen Cove Hospital (“Glen Cove”)
- Huntington Hospital Association (“Huntington”)
- Plainview Hospital (“Plainview”)
- The Long Island Home d/b/a South Oaks Hospital
- Phelps Memorial Hospital Association and subsidiaries
- Northern Westchester Hospital Association (“Northern Westchester”, collectively with its subsidiaries)
- Peconic Bay Medical Center and subsidiaries
- John T. Mather Memorial Hospital (“Mather”, collectively with its subsidiary)

Other Entities

- Northwell Health, Inc. and Northwell Healthcare, Inc. (“HCI”) – parent holding companies
- Northwell Health Stern Family Center for Rehabilitation (“Stern”) – skilled nursing facility and rehabilitation center
- Northwell Health Laboratories – laboratory services
- North Shore Health System Enterprises, Inc., North Shore Health Enterprises, Inc. and True North Health Services Company, LLC – holding companies for certain related entities
- RegionCare, Inc. – infusion therapy and licensed home health agency services
- North Shore Community Services, Inc. – real estate holdings and related services
- North Shore University Hospital Housing, Inc., North Shore University Hospital at Glen Cove Housing, Inc. and Hillside Hospital Houses, Inc. – housing and auxiliary facilities for staff members, students and employees
- Endoscopy Center of Long Island, LLC – outpatient endoscopy center 70.2% owned by Northwell
- North Shore Medical Accelerator, P.C. – outpatient radiation oncology center 70% owned by Northwell
- North Shore-LIJ and Yale New Haven Medical Air Transport, LLC – medical air transport company 90% owned by Northwell
- Visiting Nurse Association of Hudson Valley, Inc. and subsidiaries – home care and hospice services
- True North Health Pharmacy, Inc. – retail pharmacy
- The Feinstein Institute for Medical Research – medical research
- Northwell Health Foundation – fundraising
- Hospice Care Network – hospice services
- Regional Insurance Company Ltd. – captive insurance company providing excess professional liability insurance
- Huntington Hospital Dolan Family Health Center – community health center
- Endo Group, LLC – outpatient ambulatory surgery center 51% owned by Northwell
- DHCH, LLC d/b/a Digestive Health Center of Huntington – outpatient endoscopy center 51% owned by Northwell
- South Shore Surgery Center, LLC – outpatient ambulatory surgery center 50.1% owned by Northwell
- Suffolk Surgery Center, LLC – outpatient ambulatory surgery center 68% owned by Northwell
- Melville SC, LLC – outpatient ambulatory surgery center 51% owned by Northwell
- Greenwich Village Surgery Center – outpatient ambulatory surgery center currently 100% owned by Northwell
- Other affiliated professional corporations

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)*

Note A - Basis of Presentation (continued)

Certain members of Northwell (the “Obligated Group”) are jointly and severally liable for obligations under bond indentures. The Obligated Group consists of HCI, NSUH, LIJMC, Staten Island, Lenox, Southside, Huntington, Glen Cove, Plainview and Stern.

Northwell maintains a controlling ownership in various entities whose results of operations are included in the accompanying consolidated financial statements. Northwell’s non-controlling interest in these entities at June 30, 2019 and 2018 was immaterial, both individually and in the aggregate, to Northwell’s net assets and excess of revenue and gains and losses over expenses as reported in the accompanying consolidated financial statements.

Note B - Use of Estimates

The preparation of 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, including estimated accounts receivable for services to patients, and liabilities, including estimated payables to third-party payers, accrued retirement benefits, and malpractice and other insurance liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note C - Recent Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. (“ASU”) 2016-02, *Leases*. ASU 2016-02 requires lessees to recognize the rights and obligations arising from both finance lease contracts (formerly referred to as capital leases) and operating lease contracts as assets and liabilities on the statement of financial position. The accounting for finance leases remains substantially unchanged as a result of adoption. Lessors in operating leases continue to recognize the underlying asset and recognize lease income on either a straight-line basis or another systematic and rational basis. The provisions of ASU 2016-02 became effective for Northwell for annual periods beginning after December 15, 2018. Northwell adopted ASU 2016-02 effective January 1, 2019 following the modified retrospective method of application. As such, the prior period consolidated financial statement amounts and disclosures have not been adjusted to reflect the provisions of the new standard. The standard did not materially impact Northwell’s consolidated statements of operations, changes in net assets or cash flows for the six months ended June 30, 2019. Northwell has made the transition-specific election to apply the package of practical expedients which allows for the carryforward of historical assessments of (i) whether contracts are or contain leases, (ii) the lease classification and (iii) initial indirect costs. Certain other accounting policy elections and quantitative and qualitative information pertaining to Northwell’s adoption of ASU 2016-02 are described in Note J.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note C - Recent Accounting Standards (continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities. The standard also clarifies the guidance on how entities determine when a contribution is conditional. Northwell adopted ASU 2018-08 effective January 1, 2019. As of June 30, 2019, the impact of the adoption of ASU 2018-08 has not been significant.

Note D - Acquisitions

On January 1, 2018 (the “Acquisition Date”), Northwell acquired Mather, a 248-bed not-for-profit community teaching hospital located in Port Jefferson, New York, and its affiliated professional corporation. Northwell acquired Mather by means of an inherent contribution where no consideration was transferred by Northwell. Northwell accounted for the business combination by applying the acquisition method, and accordingly, the inherent contribution is valued as the excess of the fair value of assets acquired over the fair value of liabilities assumed. In determining the inherent contribution received, all assets and liabilities were measured at fair value as of the Acquisition Date. The results of Mather’s operations have been included in the unaudited interim consolidated financial statements since the Acquisition Date. Mather is not a member of the Obligated Group.

Note E - Health Insurance Companies

In July 2017, North Shore-LIJ Health Plan Inc. (“Health Plan”) filed a termination plan with the New York State Department of Health (“NYSDOH”). Under the termination plan, which was approved by the NYSDOH in September 2017, Health Plan ceased new enrollment in its Medicaid Managed Long-Term Care Plan and, by January 2018, had transitioned its existing members to other plans. Health Plan expects the wind down of operations to be completed by early 2020.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)*

Note E - Health Insurance Companies (continued)

In August 2017, Northwell announced that it would wind down CareConnect Insurance Company Inc. (“CareConnect”) and withdraw from New York State’s insurance markets. The New York State Department of Financial Services approved CareConnect’s plan which allowed CareConnect to stop writing and renewing annual large and small group policies effective December 1, 2017 and individual policies effective January 1, 2018. As no new policies were to be written in 2018, and the health insurance premium revenue to be earned on existing policies was not expected to be sufficient to cover medical claims and other expenses incurred during the wind down of CareConnect, a premium deficiency reserve was recorded in 2017. As of June 30, 2019, the remaining reserve for the estimated expenses to complete the wind down of CareConnect was not significant.

As a result of Northwell’s decision to exit the health insurance business, the net operating results of CareConnect and Health Plan (collectively, the “Health Insurance Companies”) are separately reported within the accompanying unaudited interim consolidated statements of operations for the six months ended June 30, 2019 and 2018.

Note F - Accounts Receivable and Patient Revenue

Net patient service revenue and physician practice revenue (collectively “patient revenue”) are reported at the amount that reflects the consideration to which Northwell expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and include various elements of variable consideration in determining a transaction price. Northwell 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 patient revenue. Based on historical collection trends and other analyses, Northwell believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)*

Note F - Accounts Receivable and Patient Revenue (continued)

Northwell'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 Northwell's standard charges. Northwell determines the transaction price associated with services provided to patients who have third-party payer coverage on the basis of contractual rates, governmental rates or established charges for the services rendered. The estimates for contractual allowances and discounts are based on contractual agreements, Northwell's discount policies and historical experience. For uninsured patients who are ineligible for any government assistance program, Northwell provides services without charge or at amounts less than its established rates for patients who meet the criteria of its charity care policy. Because Northwell does not pursue collection of amounts determined to qualify as charity care, such services are not reported as patient revenue. For uninsured and under-insured patients who do not qualify for charity care, Northwell 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 Northwell's historical collection experience for applicable patient portfolios.

Generally, Northwell bills patients and third-party payers several days after the services are performed and/or the patient is discharged. Patient revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Northwell. Patient revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Northwell believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in Northwell's outpatient and ambulatory care centers. Northwell measures the performance obligation from admission into the hospital or the commencement of an outpatient or physician 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 or physician visit.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, Northwell 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). As such, accounts receivable related to in-house patients are considered contract assets as the performance obligation is not completed until the patients are discharged, which for the majority of the in-house patients occurs within days or weeks after the end of the reporting period and at which point Northwell has the right to bill.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note F - Accounts Receivable and Patient Revenue (continued)

At June 30, 2019 and December 31, 2018 accounts receivable for services to patients, net is comprised of the following components:

	June 30, 2019	December 31, 2018
Receivables for services to patients	\$ 1,101,315	\$ 1,057,798
Contract assets (for in-house patients)	86,714	72,527
	<u>\$ 1,188,029</u>	<u>\$ 1,130,325</u>

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient revenue in the period of the change. For the six months ended June 30, 2019 and 2018, changes in Northwell's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated periodically 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 in supplies and expenses in the accompanying consolidated statements of operations for the six months ended June 30, 2019 and 2018. Bad debt expense and the related allowance for uncollectible accounts for the six months ended June 30, 2019 and 2018 and as of June 30, 2019 and December 31, 2018 were not significant.

Northwell has determined that the nature, amount, timing and uncertainty of revenue and cash flows are primarily affected by its mix of payers. Patient revenue for the six months ended June 30, 2019 and 2018, by payer is approximately as follows:

	2019	2018
Medicare and Medicare managed care	\$ 1,867,000	\$ 1,751,000
Medicaid and Medicaid managed care	803,000	753,000
Self-pay	45,000	42,000
Other third-party payers	2,903,000	2,620,000
	<u>\$ 5,618,000</u>	<u>\$ 5,166,000</u>

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note F - Accounts Receivable and Patient Revenue (continued)

Patient revenue for the six months ended June 30, 2019 and 2018, disaggregated by lines of service, is as follows:

	<u>2019</u>	<u>2018</u>
Net patient service revenue:		
Hospitals	\$ 4,481,975	\$ 4,132,796
Joint venture ambulatory surgery centers	33,506	30,544
Stern (skilled nursing facility and rehabilitation center)	28,656	28,332
Hospice Care Network	25,594	25,211
RegionCare, Inc.	25,430	26,014
Other	15,504	14,888
Net patient service revenue	<u>4,610,665</u>	4,257,785
Physician practice revenue	<u>1,007,300</u>	907,770
Total patient revenue	<u>\$ 5,617,965</u>	<u>\$ 5,165,555</u>

Northwell does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to Northwell's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, Northwell 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.

Settlements with third-party payers 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 patient revenue. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and Northwell'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. Changes in estimates relating to prior year settlements were not significant for the six months ended June 30, 2019 and 2018.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note G - Cash and Investments

Northwell's cash and investments are reported in the consolidated statements of financial position as presented below at June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 567,969	\$ 538,964
Short-term investments	2,717,280	2,581,695
Long-term investments	<u>2,176,930</u>	<u>2,066,327</u>
Total cash and investments	5,462,179	5,186,986
Less assets limited as to use:		
Management designated malpractice and other self-insurance assets	1,041,141	965,846
Other management designated assets*	643,463	644,575
Donor restricted assets	290,015	265,897
Deferred employee compensation plan assets	220,295	184,400
Assets under bond indentures and other	67,271	75,195
Total assets limited as to use	<u>2,262,185</u>	<u>2,135,913</u>
Total unrestricted cash and investments	<u>\$ 3,199,994</u>	<u>\$ 3,051,073</u>

* Other management designated assets include sinking funds established to repay Northwell's taxable debt and proceeds from taxable bond issues and other amounts designated to fund future capital expenditures and investments.

The total unrestricted cash and investments is used in Northwell's days cash on hand calculation, a required financial ratio for certain debt compliance covenants.

Short-term investments include \$162,282 and \$166,290 of assets limited as to use at June 30, 2019 and December 31, 2018, respectively. Long-term investments include \$2,099,903 and \$1,969,623 of assets limited as to use at June 30, 2019 and December 31, 2018, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)*

Note H - Fair Value Measurements

For assets and liabilities required to be measured at fair value, Northwell 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 Northwell'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.

Northwell 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, Northwell 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.

A financial instrument's categorization within the three levels of the valuation hierarchy is not indicative of the investment risk associated with the underlying assets.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note H - Fair Value Measurements (continued)

Financial assets and liabilities carried at fair value as of June 30, 2019 are classified in the following table in one of the three categories described previously:

	June 30, 2019			Total
	Level 1	Level 2	Level 3	
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 918,346	\$ -	\$ -	\$ 918,346
Fixed income obligations:				
U.S. Government obligations	164,538	233,834	-	398,372
Corporate and other bonds	-	462,766	-	462,766
Fixed income mutual funds	443,126	-	-	443,126
Equity securities:				
Value	369,831	-	-	369,831
Small cap	139,331	-	-	139,331
Global	241,842	-	-	241,842
Growth	116,754	-	-	116,754
Equity mutual funds	679,323	-	-	679,323
Commingled equity funds*	-	183,306	-	183,306
Target-age mutual funds	65,423	-	-	65,423
Interest and other receivables	18,414	-	-	18,414
Liabilities				
Interest rate swap agreements	-	(5,924)	-	(5,924)
	\$ 3,156,928	\$ 873,982	\$ -	\$ 4,030,910

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note H - Fair Value Measurements (continued)

Financial assets and liabilities carried at fair value as of December 31, 2018 are classified in the following table in one of the three categories described previously:

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 961,646	\$ -	\$ -	\$ 961,646
Fixed income obligations:				
U.S. Government obligations	100,189	255,909	-	356,098
Corporate and other bonds	-	440,259	-	440,259
Fixed income mutual funds	339,731	-	-	339,731
Equity securities:				
Value	288,137	-	-	288,137
Small cap	116,179	-	-	116,179
Global	206,806	-	-	206,806
Growth	92,309	-	-	92,309
Equity mutual funds	555,495	-	-	555,495
Commingled equity funds*	-	143,566	-	143,566
Target-age mutual funds	50,440	-	-	50,440
Interest and other receivables	27,956	-	-	27,956
Liabilities				
Interest rate swap agreements	-	(4,933)	-	(4,933)
	<u>\$ 2,738,888</u>	<u>\$ 834,801</u>	<u>\$ -</u>	<u>\$ 3,573,689</u>

*Certain of Northwell's commingled equity fund investments are valued based on inputs not quoted in active markets, but corroborated by market data, while other commingled equity fund investments are recorded on the equity method of accounting and excluded from the fair value tables above.

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 instruments.

The amounts reported in the previous tables exclude investments reported under the equity method or cost method of accounting in the amounts of \$1,425,345 and \$1,608,364 at June 30, 2019 and December 31, 2018, respectively, and assets invested in Northwell's pension plans.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note I - Pension and Postretirement Benefits

Northwell maintains several pension plans for its employees. The following are brief descriptions of such plans and the respective pension expense for the six months ended June 30, 2019 and 2018.

Certain members of Northwell provide pension and similar benefits to its employees through defined contribution plans. Contributions to defined contribution plans are based on percentages of annual salaries. It is the policy of these members to fund accrued costs under these plans on a current basis. Pension expense related to the defined contribution plans was \$106,580 and \$96,098 for the six months ended June 30, 2019 and 2018, respectively.

Certain members of Northwell contribute to various multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover union-represented employees. Pension expense related to these plans aggregated \$55,717 and \$43,187 for the six months ended June 30, 2019 and 2018, respectively.

Certain of Northwell's employees participate in deferred compensation plans. In connection with these plans, Northwell deposits amounts with trustees on behalf of the participating employees. Under the terms of the plans, Northwell is not responsible for investment gains or losses incurred. The assets are restricted for payments under the plans, but may revert to Northwell under certain specified circumstances.

In addition, Northwell maintains various deferred compensation plans pursuant to Section 457(b) of the Code (the "457(b) Plans"). Eligible employees may defer compensation under a salary reduction agreement, subject to certain dollar limitations. Non-elective employer contributions may also be made for some of the 457(b) Plans. Payments upon retirement or termination of employment are based on amounts credited to the individual accounts.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note I - Pension and Postretirement Benefits (continued)

Certain Northwell employees are covered by noncontributory defined benefit pension plans. The following table provides an estimate of the components of the total net periodic benefit cost for the defined benefit pension plans for the six months ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Service cost (included in employee benefits)	<u>\$ 48,336</u>	<u>\$ 44,603</u>
Interest cost on projected benefit obligation	49,952	49,247
Expected return on plan assets	(62,762)	(59,594)
Amortization of actuarial loss	21,768	19,215
Amortization of prior service cost	913	1,761
Total included in non-operating net periodic benefit cost	<u>9,871</u>	<u>10,629</u>
Net periodic benefit cost	<u>\$ 58,207</u>	<u>\$ 55,232</u>

Certain employees are also covered by postretirement defined benefit plans other than pensions. The net periodic benefit cost of such plans for the six months ended June 30, 2019 and 2018 was not material to the consolidated statements of operations.

Note J – Leases

As described in Note C, Northwell adopted ASU 2016-02 effective January 1, 2019. Northwell leases certain medical offices, administrative offices and equipment under finance and operating leases. At the inception of a contract, a determination is made if the arrangement is or contains a lease. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria.

As of June 30, 2019 and December 31, 2018, assets acquired under finance leases of \$170,247 and \$158,549, respectively, and accumulated depreciation associated with finance leases of \$16,292 and \$13,773, respectively, are recorded in property, plant and equipment, net in the consolidated statements of financial position.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)*

Note J – Leases (continued)

Northwell's right-of-use assets pertaining to operating leases represent the right to use the agreement's underlying assets for the lease term, and the corresponding lease liabilities represent the obligation to make lease payments arising from the lease. Such right-of-use assets and lease liabilities are recognized at the lease's commencement date at the present value of lease payments over the lease term for leases with initial terms greater than a year. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, Northwell has elected to use a discount rate comparable to Northwell's incremental borrowing rate for financing over a comparable period. A right-of-use asset and lease liability are not recognized for leases with an initial term of 12 months or less, and Northwell recognizes lease expense for such leases over the lease term within supplies and expenses on the consolidated statement of operations. The deferred rent liability resulting from recording operating lease expense using the straight-line method is recorded within the other long-term liabilities line of the accompanying consolidated statement of financial position at December 31, 2018. As a result of implementing ASU 2016-02, this amount is now reported as a reduction to the right-of-use assets – operating leases line of the accompanying consolidated statement of financial position at June 30, 2019.

Northwell's operating and finance leases have remaining lease terms ranging from less than one year to sixty-five years, some of which may include options to extend. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the right-of-use leased assets and liabilities, unless Northwell is reasonably certain to exercise the option to extend the lease. Northwell's leases may also include variable lease payments. Variable lease payments are excluded from the amounts used to determine the right-of-use leased assets and liabilities, unless the variable lease payments depend on an index or rate or are in substance fixed payments.

Northwell has made an election for all leases to not separate lease components from non-lease components in contracts in the accounting for its lease payments, as permitted by ASU 2016-02. As such, Northwell accounts for the applicable non-lease components (e.g. fixed common area maintenance costs) together with the related lease components when determining the right-of-use assets and lease liabilities.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note J – Leases (continued)

The components of lease cost included in the accompanying consolidated statement of operations for the six months ended June 30, 2019 are as follows:

Finance lease cost:	
Amortization of assets acquired under finance leases	\$ 2,519
Interest on finance lease obligations	8,665
Operating lease cost:	
Lease cost – leases with terms greater than one year	88,166
Short-term lease cost	1,657
Variable lease cost	13,231
Total lease cost	<u>\$ 114,238</u>

Other information related to leases and supplemental cash flows as of and for the six months ended June 30, 2019 are as follows:

Operating cash flows for interest on finance leases	\$ 8,665
Operating cash flows from operating leases*	88,551
Financing cash flows from finance leases	3,611
Assets acquired under new finance lease obligations	11,698
Right-of-use leased assets obtained in exchange for new operating lease obligations	74,124
Weighted-average remaining lease term:	
Finance leases	26 years
Operating leases	11 years
Weighted-average discount rate on finance leases	7.3%
Weighted-average discount rate on operating leases	3.5%

* Cash flows relating to operating lease costs for leases with terms greater than one year. Excludes variable lease costs.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note J – Leases (continued)

The following table reconciles the undiscounted lease payments to the lease obligations recorded on the accompanying consolidated statement of financial position at June 30, 2019:

	Operating	Finance
2019 (remaining six months)	\$ 75,597	\$ 10,631
2020	143,301	17,334
2021	135,268	17,444
2022	117,312	16,262
2023	100,627	15,210
Thereafter	577,001	322,699
Total minimum future payments	1,149,106	399,580
Less: Imputed interest	220,469	206,071
Less: Net unamortized issuance costs	–	954
Total liabilities	928,637	192,555
Less: Current portion	118,457	6,679
Long-term liabilities	<u>\$ 810,180</u>	<u>\$ 185,876</u>

Note K - Commitments and Contingencies

Litigation, Claims and Settlements

Northwell is involved in litigation and claims which are not considered unusual to Northwell's business. While the ultimate outcome of these matters cannot be determined at this time, it is the opinion of management that the ultimate resolution of these claims will not have a material adverse effect on the accompanying unaudited interim consolidated financial statements.

Letters of Credit and Surety Bonds

At June 30, 2019, \$5,339 in direct-pay letters of credit were maintained with a commercial bank, in lieu of a debt service reserve fund for an Obligated Group bond issue.

At June 30, 2019, \$16,635 in direct-pay letters of credit were maintained with a commercial bank to secure certain Northern Westchester bond issues.

At June 30, 2019, four commercial banks are providing a total of \$291,000 in commitments, solely to support letters of credit required for Northwell's high deductible workers' compensation and vehicle insurance programs. At June 30, 2019, \$135,473 in secured direct-pay letters of credit were maintained with the banks and \$155,527 of the commitments remain available for future letters of credit. At June 30, 2019, there was also a \$45,000 surety bond supporting these programs.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)*

Note K - Commitments and Contingencies (continued)

In addition, at June 30, 2019, \$17,366 in direct-pay letters of credit or surety bonds were maintained to support other workers' compensation insurance programs at certain Northwell hospitals.

Other Commitments

In 2008, Hofstra University (the "University") and Northwell entered into a joint academic agreement to establish what is now known as the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell (the "Medical School"), at the University, while remaining as separate corporations with separate governance. Under the agreement, Northwell will reimburse the University a minimum of \$5,000 each academic year for a portion of the Medical School's annual costs, with amounts indexed to the Medical School tuition. Such reimbursement is contingent upon annual approval by the boards of Northwell and the University. Northwell shall not advance funds to the University that have not yet been spent in connection with the Medical School. Northwell also provides a minimum of \$4,000 annually for funding of Medical School scholarships and student loans, with amounts indexed to the Medical School tuition.

In April 2015, Northwell entered into a strategic affiliation with Cold Spring Harbor Laboratory ("CSHL"). Under the terms of this affiliation, Northwell and CSHL will continue as independent organizations governed by their respective boards of trustees. The goals of the affiliation include advancing cancer diagnostic and therapeutic research, developing a new clinical cancer research unit at Northwell to support early-phase clinical studies of new cancer therapies, and recruiting and training more clinician-scientists in oncology. Pursuant to the agreement, Northwell is committed to pay CSHL \$15,000 annually throughout the remaining term of the affiliation.

In August 2015, Northwell entered into a clinical affiliation and collaboration agreement with Maimonides Medical Center ("Maimonides"), a not-for-profit acute care hospital located in Brooklyn, New York. The purpose of the affiliation is to pursue collaborative activities, such as clinical integration initiatives and ambulatory services joint ventures, as well as service agreements that may generate operational efficiencies. Under the terms of the affiliation agreement, Northwell and Maimonides will remain independent organizations governed by their respective boards of trustees. Pursuant to the affiliation agreement, the parties have also entered into an unsecured loan agreement whereby Northwell loaned a total of \$125,000 to Maimonides. Payments on the loan and accrued interest thereon would not commence until the termination of the affiliation agreement. However, if Northwell becomes the sole member and corporate parent of Maimonides, outstanding amounts borrowed under the loan agreement, including accrued interest, will be forgiven.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2019 and 2018 is unaudited)
(in thousands)

Note K - Commitments and Contingencies (continued)

In August 2018, Northwell entered into an option agreement with a third party that recently acquired property on the Upper East Side of Manhattan. Under the agreement, Northwell is required to make minimum monthly payments of approximately \$806 to the property owner and is given the option to purchase the property at a defined price at certain future dates. The option agreement is for a three-year period with the ability to extend for up to two additional years.

In the normal course of business, Northwell enters into multi-year contracts with vendors, suppliers and service providers for goods or services to be provided to Northwell. Under the terms of such agreements, Northwell may be contingently liable for termination or other fees in the event of contract termination or default. Northwell does not believe that such contingent liabilities, should they become due, would have a material impact on Northwell's unaudited interim consolidated financial statements.

Note L - Subsequent Events

Management has evaluated events and transactions subsequent to June 30, 2019 through August 29, 2019, representing the date at which the unaudited interim consolidated financial statements were issued. No events have occurred that require disclosure in, or adjustment to, the unaudited interim consolidated financial statements.

APPENDIX C
CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

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

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, and constituting Title 4 of Article 8 of the Public Authorities Law), as the same may be amended from time to time, including, but not limited to, the 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;

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 a Series Resolution authorizing a 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 related 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 related Series Resolution, (vii) with respect to a Bond Series Certificate, such certificate authorized pursuant to a related 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 and an Obligation authorized to be issued thereunder, the Supplemental Indenture entered into pursuant to an Obligation issued under the Master Indenture for the purpose of securing a 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 and Portfolio Monitoring, 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; (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; and (iv) in the case

of a Credit Facility Issuer, a Vice President, a Senior Vice President, an Administrative Vice President, an Executive Vice President and the President of such Credit Facility Issuer, 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 Credit Facility Issuer or the by-laws of such Credit Facility Issuer;

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

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

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

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

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

Business Day means a day other than (a) a Saturday and Sunday or (b) a day on which any of the following are authorized or required to remain closed: (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 or a Member relating to the construction of a Project, and any amendments to the foregoing;

Cost 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 a Hedge Agreement, costs and expenses of refunding of other bonds or notes of the Authority with proceeds of such Series including termination fees for any Hedge 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 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 Remarketing Agreement in connection with Option Bonds or Variable Interest Rate Bonds, or a Reserve Fund Facility relating to such Project(s);

Counterparty means any person with which the Authority or an Institution has entered into a Hedge Agreement, provided that, at the time the Hedge 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 Hedge 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. Initially, upon issuance, there is no Credit Facility for the Series 2019 Bonds;

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 hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of such Credit Facility Issuer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors;

Credit Facility Issuer means, with respect to any Series of Bonds for which a Credit Facility is held by the Trustee, the bank, trust company, national banking association, 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 bank, trust company, national banking association, 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 or by the Applicable Bond Series Certificate. There will be no Debt Service Reserve Fund established with respect to the Series 2019 Bonds;

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); (b) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and (c) 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 interest payment dates and 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 Government Obligations 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 interest payment dates and 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 with respect to the above, such term shall not include (1) 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 Applicable 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 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, 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, 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;

Hedge 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 agreements or arrangements; provided, however, that no such agreement entered into by the Institution shall constitute a Hedge Agreement unless a copy thereof has been delivered to the Authority;

Institution means Northwell Healthcare, Inc. 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;

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 of the Resolution and of the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds. Initially, upon issuance, there is no Liquidity Facility for the Series 2019 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 in connection with the issuance of an applicable Series of Bonds, as the same may from time to time be amended, supplemented or otherwise modified as

permitted by the Resolution and by such Loan Agreement, and with respect to the Series 2019 Bonds means the Loan Agreement, dated as of July 17, 2019, between the Authority and the Institution;

Long-Term Bonds means Series 2019B Bonds that bear interest at Long-Term Rates. The Series 2019B Bonds will be issued as Long-Term Bonds;

Long-Term Interest Rate Period means each period during the Long-Term Period for which a particular Long-Term Rate is in effect;

Long-Term Period means the period during which the Series 2019B Bonds constitute Long-Term Bonds, which Long-Term Period shall generally be comprised of multiple Long-Term Interest Rate Periods, during which Long-Term Rates are in effect;

Long-Term Rate means the established interest rate per annum on the Series 2019B Bonds determined on a periodic basis as provided in the Bond Series Certificate relating to the Series 2019B Bonds;

Long-Term Rate Mandatory Purchase Date means initially (a) for the Series 2019B-1 Bonds May 1, 2022, (b) for the Series 2019B-2 Bonds May 1, 2024 and (c) for the Series 2019B-3 Bonds May 1, 2026, and in each case, thereafter, the first day following the last day of each Long-Term Interest Rate Period;

Master Indenture means the Master Trust Indenture by and among the Members of the Obligated Group and the Master Trustee, dated as of July 1, 1998, as amended and restated as of August 1, 2003, and as further 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;

Mortgages means the Mortgages granted by each Member of the Obligated Group (except the Institution) to the Master Trustee on the Mortgaged Property, as security for the performance of the Institution's and the Obligated Group's obligations under all Obligations issued under the Master Indenture, as such Mortgages may be amended or modified from time to time;

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

Obligation means an "Obligation" as defined in and as issued pursuant to the Master Indenture and a Supplemental Indenture to secure indebtedness of a Member of the Obligated Group;

Obligated Group means Northwell Healthcare, Inc., North Shore University Hospital, Long Island Jewish Medical Center, Glen Cove Hospital, Plainview Hospital, Northwell Health Stern Family Center for Rehabilitation, Lenox Hill Hospital, Southside Hospital, Huntington Hospital Association d/b/a Huntington Hospital and Staten Island University Hospital 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;

Obligated Group Representative means Northwell Healthcare, Inc., its successors and assigns;

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, including Bank Bonds, 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. Bank Bonds will be deemed to be Outstanding and pledged to the Applicable Credit Facility Issuer, and the purchase thereof with the proceeds of a drawing on the Credit Facility shall not result in an extinguishment of the debt replenished by 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 of 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, and with respect to the Series 2019 Bonds means the Project as specified in the 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 will not include accrued and unpaid interest, which will 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 under the Resolution 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 an Applicable Bond Series Certificate relating thereto provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day (whether or not a business day) of the month preceding each interest payment date;

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

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

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

Resolution means the Northwell Health Obligated Group Revenue Bond Resolution, adopted July 17, 2019, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions thereof;

Revenues means all payments payable by the Applicable Institution to the Authority pursuant to an Applicable Loan Agreement, and payments made under the Master Indenture or payable by the Obligated Group pursuant to an Applicable Obligation and all amounts realized upon liquidation of collateral securing the Applicable Obligation, which payments and amounts 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 S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, 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 under the Resolution, 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 under the Resolution, 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 2019 Bonds means collectively, the Series 2019A Bonds and the Series 2019B Bonds;

Series 2019 Resolution means, collectively, the Series 2019A Resolution and the Series 2019B Resolution, or any other resolution of the Authority authorizing the issuance of a Series of Bonds pursuant to Article 2 of the Resolution with respect to the Series 2019 Bonds, as the same may be amended, supplemented or otherwise modified pursuant to the terms thereof;

Series 2019A Bonds means the Bonds issued by the Authority pursuant to the Resolution and designated “Northwell Health Obligated Group Revenue Bonds, Series 2019A”;

Series 2019A Resolution means the resolution adopted with respect to the Series 2019A Bonds adopted by the Authority on July 17, 2019;

Series 2019B Bonds means the Bonds issued by the Authority pursuant to the Resolution and designated “Northwell Health Obligated Group Revenue Bonds, Series 2019B-1, B-2 and B-3”;

Series 2019B Resolution means the resolution adopted with respect to the Series 2019B Bonds adopted by the Authority on July 17, 2019;

Sinking Fund Installment means, (i) with respect to any Series of Bonds other than Option Bonds or Variable Interest Rate Bonds, as of any date of calculation and with respect to any Bonds of such Series, so long as any such Bonds thereof are Outstanding, the amount of money required by the Applicable Series Resolution pursuant to which such Bonds were issued or by the Applicable Bond Series Certificate, to be paid on a single future sinking fund payment date for the retirement of any Outstanding Bonds of said Series which mature after said future sinking fund payment date, but does not include any amount payable by the Authority by reason only of the maturity of such Bond, and said future sinking fund payment date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment; 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;

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-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 or any Applicable Series Resolution or any Applicable Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and rights provided for in the Resolution 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 to the Resolution. The Trustee for the Series 2019 Bonds is The Bank of New York Mellon;

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 will 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 will 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 will remain in effect or (y) the time or times at which any change in such variable interest rate will become effective or the manner of determining such time or times; and

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, will 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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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement. Such summary does not purport to be complete or definitive and reference is made to the Loan Agreement for full and complete statements of such and all provisions. Unless otherwise indicated, references to section numbers in this summary refer to sections in the Loan Agreement. Defined or definitive terms used herein have the meanings ascribed to them in Appendix C.

Project Financing

The Authority agrees to use its best efforts to issue and deliver the Series 2019 Bonds. The proceeds of the Series 2019 Bonds will be applied as specified in the Resolution, the Series 2019 Resolution or the Bond Series Certificates relating to the Series 2019 Bonds.

(Section 4)

Construction of Projects

The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Loan Agreement, the Institution will complete or cause the completion of the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of each Project in connection with which the Authority has issued Bonds for the benefit of the Institution, 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 including but not limited to the Refunded Bonds, the Institution will 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 and the Commissioner of Health for funds that are related to Public Health Law under Article 28-B.

(Section 5)

Amendment of a Project; Cost Increases; Additional Obligations

A Project may be amended by the Institution upon compliance with Governmental Requirements and with the prior written consent of an Authorized Officer of the Authority, and the Department of Health (to the extent the portion of the Project to be amended is subject to Department of Health review) to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, improving, or otherwise providing, furnishing and equipping of a Project which the Authority is authorized to undertake. The Institution covenants that it will not, nor will it permit the Members, to 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 Tax-Exempt Bonds), without (i) complying with Governmental Requirements and delivering to the Authority and the Trustee an opinion of Bond Counsel stating that the change will not have an effect on the tax-exempt status of Tax-Exempt Bonds of the Applicable Series for federal income taxation purposes. In addition, the Institution may, or permit the Members to, 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 Series of Tax-Exempt Bonds, or which comprise a part of the Project, provided that, unless otherwise approved by the Authority and the Department of Health (for those portions of the Project subject to the review of the Department of Health) 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 Tax-Exempt 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 any Tax-Exempt Bonds.

The Institution covenants that it will not close or permit the closure of any facility of the Obligated Group that at the time of closure constitutes core Health Care Facilities of the Obligated Group as defined and described in the Master Indenture, without prior notice to the Authority and compliance with all Governmental Requirements in connection with such closure.

The Authority, upon the request of the Institution, may, but will not be required to, issue Bonds to provide moneys required for the cost of completing a Project or Projects in excess of the moneys in the Applicable Construction Fund. Nothing contained in the Loan Agreement or in the Resolution will be construed as creating any obligation upon the Authority to issue Bonds for such purpose, it being the intent of the Loan Agreement to reserve to the Authority full and complete discretion to decline to issue such Bonds. The proceeds of any Additional Bonds will be deposited and applied as specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Series of 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 under the Loan Agreement, including moneys in the Applicable Debt Service 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 Applicable Series of 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 Series 2019 Bonds, payment of the Authority Fee as shown in the Loan Agreement;

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

(iii) On the third Business Day preceding the date on which interest becomes due, the full amount of such interest then coming due on all Bonds issued by the Authority for the benefit of the Institution;

(iv) On the third 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 then coming due on the Bonds issued by the Authority for the benefit of the Institution;

(v) On or before the date on which the Redemption Price or purchase price in lieu of redemption of Bonds is to be paid, the amount required to pay the Redemption Price or purchase price in lieu of redemption of such Bonds. With respect to any Variable Interest Rate Bonds, on the Business Day on which any tendered Bonds which have not been remarketed pursuant to the Bond Series Certificate are to be purchased, an amount equal to the Purchase Price of such Bonds;

(vi) On the third Business Day prior to May 1 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year in connection with the Bonds issued by the Authority for the benefit of the Institution, and on the third Business Day prior to November 1 of each Bond Year, the balance of the Annual Administrative Fee payable during such Bond Year; provided, however, that the Annual Administrative Fee payable shall become effective, with respect to the Series 2019 Bonds, on the date of issuance thereof, and with respect to any other Series of Bonds on the date agreed to by the Institution and the Authority at the time the Bonds of such Series are issued; and, provided, further, that the Annual Administrative Fee with respect to the Series 2019 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 Series of 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 (A) for the Authority Fee then unpaid, (B) to reimburse the Authority for payments made pursuant to paragraph (d) below and any actual out-of-pocket expenses or liabilities incurred by the Authority under the Loan Agreement, (C) 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 Obligation in accordance with the terms thereof, (D) for the fees and expenses of the Trustee and any Paying Agent and reasonable attorney's fees in connection with performance of their duties under the Resolution, and (E) 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) On the date a Series of Bonds, other than the Series 2019 Bonds, is issued, an amount equal to the Authority Fee for such Series of Bonds;

(ix) 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;

(x) 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 of a Series or otherwise available therefor under the Resolution and the amount required to be rebated or otherwise paid to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds of such Series; and

(xi) 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 will receive a credit against the amount required to be paid by the Institution during a Bond Year pursuant to paragraph (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 May 1, the Institution delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such May 1. The amount of the credit will be equal to the principal amount of the Bonds so delivered.

The Authority directs the Institution, and the Institution agrees, to make the payments required by paragraphs (iii), (iv) and (v) above directly to the Trustee for deposit and application in accordance with the Resolution, the payments required by paragraph (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 (i), (vi), (vii) and (viii) above directly to the Authority, the payments required by paragraph (ix) above pursuant to the Resolution and the payments required by paragraph (x) 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 will 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 (iii), (iv), (v), (ix) and (xi) above bears to the total amount then due and payable for all Series of Bonds, pursuant to such paragraphs.

The Institution agrees that it will also be obligated to make all payments when due on the Obligation to the applicable holder of the Obligation, and that the applicable holder will be entitled to so receive all payments when due on the Obligation, it being the intention of the parties to the Loan Agreement that the Obligation and the Loan

Agreement are separate (but not duplicative) obligations of the Institution (and, to the extent provided in the Obligation, of the Obligated Group), that payments by the Institution (or the Obligated Group) to the Trustee pursuant to the Obligation will serve as a credit against amounts due from the Institution to the Authority pursuant to the Loan Agreement with regard to the Applicable Series of 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 applicable Obligation.

The Institution further agrees that it will be obligated to make such equity contributions as are required in connection with the issuance of the Series 2019 Bonds and the completion of the Project which amounts are specifically set forth in the Loan Agreement.

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

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

The Loan Agreement and the obligations of the Institution to make payments thereunder are general obligations of the Institution.

(d) The Authority has the right in its sole discretion to make on behalf of the Institution any payment required pursuant to the provisions described under this 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 will limit, impair or otherwise affect the rights of the Authority under the provisions under the heading “Defaults and Remedies” below arising out of the Institution’s failure to make such payment and no payment by the Authority will be construed to be a waiver of any such right or of the obligation of the Institution to make such payment.

(e) The Institution, if it is not then in default under the Loan Agreement, will have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid will be deposited in accordance with the directions of an Authorized Officer of the Authority in the 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 Series of Bonds; *provided, however*, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the 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 by the Authority to the Trustee of the Authority’s rights to receive the payments required to be made pursuant to paragraphs (iii), (iv), (v), (ix) and (xi) of paragraph (a) 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 and all funds and accounts established by the Resolution and pledged thereby to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance will 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 such pledge and assignment by the Authority to the Trustee authorized by the provisions under this heading “Consent to Pledge and Assignment by the Authority,” 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. Such pledge and assignment will 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, and to incur the indebtedness contemplated in the Loan Agreement. The Institution further covenants, warrants and represents that, except with respect to additional Bonds, any encumbrances as are permitted by the Master Indenture and all pledges, security interests in and assignments made or to be made pursuant to the Loan Agreement or the Master Indenture are and will be free and clear of any pledge, lien, charge, security interest or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge, security interest or assignment granted or made pursuant to the Loan Agreement, and that all corporate action on the part of the Institution to that end has been duly and validly taken. The Institution further covenants that the provisions of the Loan Agreement and the Master Indenture are and will be valid and legally enforceable obligations of the Institution in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights. The Institution further covenants that it will at all times, to the extent permitted by law, defend, preserve and protect all of the rights of the Authority under the Loan Agreement and the Holders of Bonds under the Resolution against all claims and demands of all

persons whomsoever. The Institution further covenants, warrants and represents that the execution and delivery of the Loan Agreement, and the consummation of the transaction contemplated in the Loan Agreement and compliance with the provisions of the Loan Agreement, 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 letter or other notification as represented to the Internal Revenue Service continue to exist, and (vi) it is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that (a) it will not perform any act or enter into any agreement which will adversely affect such federal income tax status and will conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it will not perform any act or enter into any agreement which could adversely affect the exclusion of interest on any of the Tax-Exempt Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 13)

Maintenance of Corporate Existence

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

(Section 15)

Use of Project

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

(Section 17)

Restrictions on Religious Use

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

(Section 18)

Maintenance, Repair and Replacement

The Institution agrees that, throughout the term of the Loan Agreement, it will or cause the applicable Member to, at its own expense, hold, operate and maintain an Applicable Project in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and will from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of an Applicable Project may be appropriately conducted, as determined by the Institution.

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

(Section 20)

Damage or Condemnation

In the event of a taking of 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 of the Tax-Exempt Bonds. Any proceeds of a taking of a 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 Applicable Series Resolution or Applicable Bond Series Certificate.

(Section 21)

Taxes and Assessments

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

(Section 22)

Defaults and Remedies

(a) As used in the Loan Agreement the term “Event of Default” means:

(i) the Institution defaults 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 and (A) with respect to a payment required by paragraph (iii), (iv), (v), (ix) or (xi) of paragraph (a) thereunder, such default continues for two (2) Business Days or (B) other than with respect to a payment required by paragraph (iii), (iv), (v), (ix) or (xi) of paragraph (a) thereunder, such default continues for seven (7) days;

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

(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 is in default in the payment or performance of any of its obligations under the Resolution and an “Event of Default” (as defined in the Resolution) has been declared under the Resolution so long as such default or Event of Default remains uncured or the Trustee or Holders of the Bonds are seeking the enforcement of any remedy under the Resolution as a result thereof;

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

(v) the Institution (i) admits insolvency or bankruptcy or its inability to pay its debts in a timely manner as they become due, (ii) files, or consents 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) makes a general assignment for the benefit of its general creditors, (iv) consents 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) is adjudicated insolvent or is liquidated or (vi) takes corporate action for the purpose of any of the foregoing;

(vi) a court or governmental authority of competent jurisdiction enters 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 is 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 is filed against the Institution and such petition is not dismissed within ninety (90) days;

(vii) the certificate of incorporation of the Institution is suspended or revoked;

(viii) a petition to dissolve the Institution is 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 is made by the State of New York, the legislature of the State or any other governmental authority having jurisdiction over the Institution which order remains undismissed or unstayed for an aggregate of thirty (30) days;

(x) a petition is filed with a court having jurisdiction for an order directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution which petition remains undismissed or unstayed for an aggregate of ninety (90) days; or

(xi) an order of a court having jurisdiction is made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order remains 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 was entered.

(b) Upon the occurrence of an Event of Default, the Authority will provide written notice of such Event of Default to the Trustee and the Department of Health upon receiving knowledge thereof, provided, however, that failure to give such notice will in no manner impair or diminish the Authority's or the Trustee's ability to take any action under the Loan Agreement. The Authority may take any one or more of the following actions upon the occurrence of an Event of Default:

(i) declare all sums payable by the Institution under the Loan Agreement or under the Obligation relating to the Applicable Bonds 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; and

(iv) maintain an action against the Institution under the Loan Agreement or under any Obligation or against any or all Members of the Obligated Group under the Master Indenture or the Obligation to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of the Master Indenture or the Obligation, as provided in the Master Indenture.

(c) All rights and remedies given or granted to the Authority in the Loan Agreement are cumulative, non-exclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy will effect a waiver of the Authority's right to exercise such remedy thereafter.

(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 are cured. No such annulment will extend to or affect any subsequent default or impair any right consequent thereto.

(e) The Institution will give the Authority and the Department of Health telephone and written notice within three Business Days after receiving information that the Master Trustee has appointed or intends to appoint a receiver in accordance with provisions of the Master Indenture.

(Section 26)

Arbitrage

The Institution covenants that it will not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2019 Bonds which are Tax-Exempt 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) will not, pursuant to an arrangement in place at the time of issuance of the Bonds, formal or informal, purchase Bonds (except in the case of a purchase in lieu of redemption or a purchase upon an optional or mandatory tender of any of the Bonds) 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.

(Section 31)

Amendments to Loan Agreement

The Loan Agreement may be amended only in accordance with the Resolution and each amendment will be made by an instrument in writing signed by an Authorized Officer of the Institution and the Authority, an executed counterpart of which will be filed with the Trustee; *provided, however*, that no amendment or waiver of any provisions of the Loan Agreement may be made without the prior written consent of the Commissioner of Health.

(Section 37)

Termination

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

(Section 38)

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution. Such summary does not purport to be complete or definitive and reference is made to the Resolution for full and complete statements of each provision. Unless otherwise indicated, references to section numbers in this summary refer to sections in the Resolution. Defined terms herein have the meaning ascribed to them in Appendix C.

Resolution, the Series Resolutions and the Bonds Constitute Separate Contracts

The Resolution authorizes the Authority to issue its Bonds in one or more Series, each such Series to be authorized by a separate Applicable Series Resolution and, *inter alia*, to be separately secured from each other Series of Bonds. Each such Series of Bonds will be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series will not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the Applicable Series Resolution authorizing such Series of Bonds. With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of such Applicable Series authorized to be issued under the Resolution and under the Applicable Series Resolution by those who will hold or own the same from time to time, the Resolution and the Applicable Series Resolution will be deemed to be and will constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of 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 will be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted by the Resolution or by the Applicable Series Resolution.

(Section 1.03)

Authority to Assign Certain Rights and Remedies to the Trustee

1. As security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, Outstanding Bonds of a Series and for the performance of each other obligation of the Authority under the Resolution, in the Resolution the Authority grants, pledges and assigns to the Trustee all of the Authority's estate, right, title, interest and claim in, to and under the Applicable Loan Agreement and Applicable Obligation, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under such Applicable Loan Agreement or Applicable Obligation, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Resolution) all Revenues, Gross Receipts, insurance proceeds, sale proceeds and other payments and other security now or hereafter payable to or receivable by the Authority under such Applicable Loan Agreement and Applicable Obligation, and the right to make all waivers and agreements in the name and on behalf of the Authority, as Trustee for the benefit of the Applicable Bondholders, and to perform all other necessary and appropriate acts under the Applicable Loan Agreement and Applicable Obligation, subject to the following conditions: (a) that such pledge and assignment does not include the Authority's rights to the Authority Fee, the Annual Administrative Fee, any additional fees or expenses due to the Authority under the Loan Agreement and any rights to receive notices and make consents and amendments under the Applicable Loan Agreement or Applicable Obligation, (b) that such pledge and assignment shall not include any amounts on deposit in the Arbitrage Rebate Fund or the Credit Facility Repayment Fund, (c) that the Holders of the Applicable Bonds, if any, will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority, and (d) that, unless and until the Trustee will, in its discretion when an "Event of Default" (as defined in the Applicable Loan Agreement) under the Applicable Loan Agreement has occurred and is continuing, so elect, by instrument in writing delivered to the Authority and the Members of the Obligated Group (and then only to the extent that the Trustee will so elect), the Trustee will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in the Applicable Loan Agreement to be performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision); the Authority, however, is to remain liable to observe and perform all the conditions and covenants in the Applicable Loan Agreement to be observed and performed by it; provided, however, that any grant, pledge and

assignment by the Authority of moneys, revenues, accounts, rights or other property made with respect to the Applicable Loan Agreement and the Applicable Obligation pursuant to this paragraph will secure, in the case of the Applicable Loan Agreement and Applicable Obligation, or any applicable portion thereof, only the payment of the amounts payable under such Applicable Loan Agreement and Applicable Obligation.

2. In the event the Authority grants, pledges and assigns to the Trustee any of its rights as provided in subdivision 1 of this Section, with respect to a Series of Bonds secured by a Credit Facility, such grant, pledge and assignment shall also reflect amounts due a Credit Facility Issuer pursuant to the Credit Facility and any reimbursement or related agreement associated therewith.

(Section 1.04)

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, one or more series of bonds or other obligations, a portion of a Series of Outstanding Bonds or a portion of a 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 Applicable Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the resolution or resolutions authorizing the bonds or other obligations issued by the Authority, as the case may be.

The proceeds, including accrued interest, of such Refunding Bonds will be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Applicable Series Resolution authorizing such Refunding Bonds.

(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 to the charge or lien or right created by the Resolution and pursuant to any Applicable Series Resolution, or with respect to the moneys pledged under the Resolution or pursuant to any Applicable Series Resolution.

(Section 2.05)

Pledge of Revenues

In the Resolution 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, 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, and together with the Applicable Credit Facility Provider Repayment Fund, to each Applicable Credit Facility Issuer as security for the Applicable Institution's performance of its obligations under the Applicable Credit Facility and any reimbursement or related agreement associated therewith, all in accordance with the provisions of the Resolution and thereof. The pledge made by the Resolution, subject to the adoption of an Applicable Series Resolution, will relate only to the Bonds of an Applicable Series authorized by such Series Resolution and no other Series of Bonds and such pledge will not secure any such other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the

proceeds from the sale of the Applicable Series of Bonds, the Revenues and all funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution which are pledged by the Resolution and pursuant to the Applicable Series Resolution will immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge will be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Applicable Series will be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Revenues and the funds established by the Resolution and pursuant to the Applicable Series Resolution, which pledge will constitute a first lien thereon.

(Section 5.01)

Establishment of Funds

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established, held and maintained for each Applicable Series by the Trustee under the Applicable Series Resolution separate from any other funds established and maintained pursuant to any other Series Resolution:

Construction Fund;
Debt Service Fund;
Debt Service Reserve Fund;
Arbitrage Rebate Fund; and
Credit Facility Repayment Fund

Accounts and sub-accounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Resolution, an Applicable Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund created by the Resolution, other than the Applicable Arbitrage Rebate Fund and the Applicable Credit Facility Repayment Fund, will be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but will nevertheless be disbursed, allocated and applied solely in connection with an Applicable Series of Bonds for the uses and purposes provided in the Resolution.

No Debt Service Reserve Fund will be established for the Series 2019 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 will apply such proceeds as specified in the Resolution and in an Applicable Series Resolution authorizing such Series or in the Applicable Bond Series Certificate.

Accrued interest, if any, received upon the delivery of an Applicable Series of Bonds will be deposited in the appropriate account in the Applicable Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Applicable Series Resolution or the Applicable Bond Series Certificate.

(Section 5.03)

Application of Moneys in the Construction Fund

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 will deposit in the appropriate account in the Applicable Construction Fund the amount required to be deposited therein pursuant to the Applicable Series Resolution, the Applicable Loan Agreement or the Applicable Bond Series Certificate. In addition, the Authority will remit to the Trustee and the Trustee 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 the Resolution and in the Applicable Series Resolution or Applicable Bond Series Certificate, moneys deposited in the Applicable Construction Fund will be used only to pay the Costs of Issuance of the Bonds issued in connection with such Series Resolution or Bond Series Certificate and the Costs of the Project(s) in connection with which such Series of Bonds was issued.

3. Payments for Costs of an Applicable Project will be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Such certificate or certificates will be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the 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 will be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Applicable Construction Fund to the Applicable Debt Service Fund.

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 will be deposited in the appropriate account in the Applicable Construction Fund and, if necessary, such fund may be reestablished for such purpose and if not used to repair, restore or replace such Project, transferred to the Applicable Debt Service Fund for the redemption of the Applicable Series of Bonds in accordance with the Applicable Loan Agreement.

5. An Applicable Project will be deemed to be complete (a) upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Applicable Institution which certificate will be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the Applicable Institution and the Trustee of a certificate of the Authority which certificate may be delivered at any time after completion of such Project upon satisfaction of terms set forth in the Applicable Loan Agreement. Each such certificate will state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such Applicable Institution, will specify the date of completion, or if any portion of the Project has been abandoned and will not be completed, will so state.

Upon receipt by the Trustee of the certificate required pursuant to this subdivision, 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, will 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 (if any), such amount as will be necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement (if applicable); 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 will 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, will be deposited upon receipt by the Trustee to the appropriate account of the Applicable Debt Service Fund in the amounts, at the times and for the purposes specified in the Applicable Series Resolution or Applicable Loan Agreement. 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 will be paid by the Trustee on or before the business day preceding each interest payment date as follows and in the following order of priority:

First: To reimburse, pro rata, each Applicable Credit Facility Issuer for any unreimbursed amounts under each Applicable Credit Facility and any reimbursement or related agreement associated therewith, in proportion to the respective amounts then unpaid to each Applicable Credit Facility Issuer;

Second: To reimburse, pro rata, the Applicable Facility Provider, if any, for Provider Payments which have not been repaid 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;

Third: 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;

Fourth: To the Applicable Debt Service Reserve Fund, such amount, if any, other than as set forth in paragraph "Second" above, necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and

Fifth: 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 hereby, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Applicable Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Loan Agreement in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fourth.

3. After making the payments required by subdivision 2 of this Section, the balance, if any, of the Revenues then remaining will, 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 will notify the Authority and the Institution promptly after making the payments required by subdivision 1 of this Section, 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 will be applied pro rata to each such Series of Bonds based upon the amounts then due and payable.

(Section 5.05)

Debt Service Fund

1. The Trustee will on or before the business day preceding each interest payment date with respect to a Series of Bonds, as required by, and in accordance with, the Applicable Series Resolution or Applicable Bond Series Certificate pay, from the Applicable Debt Service Fund, or the applicable account thereof, 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 will be irrevocably pledged to and applied to such payments.

2. In the event that on the fourth business day preceding any Interest Payment Date for a Series of Bonds the amount in the Applicable Debt Service Fund will be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds of the Applicable Series, for the payment of principal of such Outstanding Bonds, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or for the payment of the Purchase Price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee will withdraw from the Applicable Debt Service Reserve Fund and deposit to the Applicable Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payments. The Trustee will notify the Authority, the Applicable Facility Provider, if any, the Credit Facility Issuer, if any, the Master Trustee, and the Obligated Group Representative of a withdrawal from the Applicable Debt Service Reserve Fund.

3. Notwithstanding the provisions of subdivision 1 of this Section, the Authority may, at any time subsequent to the first principal payment date of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Applicable Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by a Member of the Obligated Group and delivered to the Trustee in accordance with the Applicable Loan Agreement will be canceled upon receipt thereof by such Trustee and evidence of such cancellation will be given to the Authority. The principal amount of each Term Bond so canceled will be credited against the Sinking Fund Installment due on such date, provided that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

4. Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of 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, assuming that a Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds bear interest, 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 hereof, 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.

The provisions of subdivisions 3 and 4 above will be applied without reference or recourse to moneys derived from a Credit Facility.

(Section 5.06)

Arbitrage Rebate Fund

The Trustee for a Series of Tax-Exempt Bonds will 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, will transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as will be set forth in such directions.

Moneys on deposit in the Applicable Arbitrage Rebate Fund will be applied by the Trustee in accordance with the direction of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority will determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which the Authority determines to be in excess of the amount required to be so rebated will be deposited to any Applicable Fund in accordance with the directions of the Authority.

If and to the extent required by the Code, the Authority will periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Applicable Series of Bonds and direct the Trustee to (i) transfer from any other of the Applicable funds held by the Trustee under the Resolution and deposit to the Applicable Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Applicable Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time (i) the amounts held in the Applicable Debt Service Fund 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) pursuant to the Resolution, if provision is made for the payment of such Outstanding Bonds at the maturity or redemption dates thereof, the Trustee will 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 will 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 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, will, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given in writing (which direction will specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations or Exempt Obligations; provided, however, that each such investment will 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 subdivision 1 above, the Trustee will, 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 or Debt Service Reserve Fund in any Permitted Investment; provided, however, that each such investment will 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 will 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 will 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 will 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 Resolution will be deemed at all times to be a part of such fund and the income or interest earned, profits realized or losses suffered by a fund due to the investment thereof will be retained in, credited or charged, as the case may be, to such fund unless otherwise provided in 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 will 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 will be valued at the market value thereof, plus accrued interest and except that Investment Agreements will be valued at original cost, plus accrued interest.

5. The Authority, in its discretion, may direct the Trustee to, and the Trustee will, sell, or present for redemption or exchange any investment held by the Trustee under the Resolution and the proceeds thereof may be reinvested as provided under this heading "Investment of Funds Held by the Trustee." Except as otherwise provided in the Resolution, the Trustee will sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it is necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Trustee will advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund in its custody under the 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 will include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee will also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

6. No part of the proceeds of any Applicable Series of Bonds or any other funds of the Authority will be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond which is a Tax-Exempt Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Enforcement of Duties and Obligations of the Institution

The Authority will take all legally available action to cause an Applicable Institution to perform fully all of the respective duties and acts and comply fully with the covenants of such Applicable Institution required by the

Applicable Loan Agreement in the manner and at the times provided in such Loan Agreement relating to a Series of Bonds; provided, however, that the Authority may delay, defer or waive enforcement of one or more provisions of said Loan Agreement relating to a Series of Bonds (other than provisions requiring the payment of moneys or the delivery of Securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of an Applicable Series or the Applicable Credit Facility Issuer.

(Section 7.06)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds of an Applicable Series to be deposited in the Applicable Construction Fund, any moneys paid or letter of credit or other security payable to the Authority for the acquisition, construction, reconstruction, renovation or equipment of an Applicable Project(s) and any moneys received in respect of damage to or condemnation of such Project(s) will be deposited in the Applicable Construction Fund, except as otherwise provided in a Series Resolution.

(Section 7.07)

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 Trustee and the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding or in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any such specified Series remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by an 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 Holders of Outstanding Bonds but with the consent of the Trustee, 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 herein or in the Loan Agreement. Notwithstanding anything under this heading "Amendment of Loan Agreements" 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 will be filed with the Trustee.

For the purposes of this Section, a Series will be deemed to be adversely affected by an amendment, change, modification or alteration of an Applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of 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 will 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 will be entitled to rely upon an opinion of counsel 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)

Notice as to Event of Default Under Loan Agreement

The Authority will notify the Trustee and any Applicable Credit Facility Issuer in writing that an “Event of Default” under a Loan Agreement, as such term is defined in such Loan Agreement, has occurred and is continuing, which notice will be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.10)

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 will 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 will comply with the letter of instructions as to compliance with the Code with respect to each such Series of Bonds, to be delivered by Bond Counsel at the time the Bonds of an Applicable Series are issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority will not take any action or fail to take any action, which would cause the Bonds of an Applicable Series to be “arbitrage bonds” within the meaning 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 will not entitle the Holder of Bonds of any other Applicable Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders hereunder based upon the Authority’s failure to comply with the provisions under this heading “Tax Exemption: Rebates” or of the Code.

(Section 7.11)

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution regarding Series Resolutions, Supplemental Resolutions, and amendments of Resolutions, the Authority may adopt at any time or from time to time, Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution will become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the Authority:

(a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds of an Applicable Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, the Master Indenture, or any Applicable Series Resolution, the Revenues, or any pledge of any other moneys, Securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution in any other respects, provided that such modifications will not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution will cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Resolution will contain a specific reference to the modifications contained in such subsequent resolutions;

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution or Applicable Supplemental Resolution in any other respect, provided that such modification will not adversely affect the interests of the Holders of Bonds of an Applicable Series or Applicable Credit Facility Issuer in any material respect; or

(g) Upon any mandatory tender and remarketing of Variable Interest Rate Bonds, to modify or amend any provision of the Resolution or of an Applicable Series Resolution, provided that the substance of such modification or amendment was disclosed to prospective Holders 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 may also be modified or amended at any time or from time to time by an Applicable Supplemental Resolution, subject to the consent of the Applicable Bondholders and Applicable Credit Facility Issuer in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority.

(Section 9.03)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution, in any particular, may be made by an Applicable Supplemental Resolution, with the prior written consent given as hereinafter provided in the Resolution, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the Applicable Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any Applicable Series and maturity remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of an Applicable Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such

Bond, or will reduce the percentages or otherwise affect the classes of Bonds of an Applicable Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, an Applicable Series will be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of an Applicable Series or maturity would be affected by any modification or amendment of the Resolution and any such determination will be binding and conclusive on the Authority and all Holders of Bonds of an Applicable Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of an Applicable Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds of an Applicable Series under the Resolution may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of such Supplemental Resolution certified by the Authority and the consent of the Holders of all of the Bonds then Outstanding of the Applicable Series, such consent to be given as provided in the Resolution, except that no notice to such Bondholders either by mailing or publication will be required.

(Section 10.03)

Events of Default

An event of default will exist under the Resolution and under an Applicable Series Resolution (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 is not 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 is not 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 defaults in the due and punctual performance of the covenants described under the heading “Tax Exemption: Rebates” and, as a result thereof, the interest on the Bonds of such Series is 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 defaults 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 continues for thirty (30) days after written notice specifying such default and requiring the same to be remedied has 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 will give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series with the prior written consent of the Applicable Credit Facility Issuer; or

(e) The Authority has 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 has occurred and is continuing and all

sums payable by the Institution under the Applicable Loan Agreement have been declared to be immediately due and payable, which declaration has not been annulled.

An event of default under the Resolution in respect of an Applicable Series of Bonds will not in and of itself be or constitute an event of default in respect of any other Applicable Series of Bonds.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified in paragraph (c) under the heading “Events of Default,” then and in every such case the Trustee may with the consent of the Applicable Credit Facility Issuer, if any, and, (i) upon the written request of the Applicable Credit Facility Issuers, if any, or the Holders of not less than fifty percent (50%) 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 will become and be immediately due and payable, anything herein or in any Applicable Series Resolution or in the Bonds to the contrary notwithstanding. In the event that an Applicable Credit Facility Issuer makes 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 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 fifty percent (50%) in principal amount of the Applicable Bonds not then due by their terms and then Outstanding, or the Holders of not less than fifty percent (50%) 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 are 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) 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 herein or in the Applicable Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) 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 fifty percent (50%) in principal amount of the Applicable Outstanding Bonds, or of the Holders of not less than fifty percent (50%) 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 hereof, upon the written request of the Applicable Holders of not less than fifty percent (50%) 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 Section 8.06 hereof), to protect and enforce its rights and the rights of the Bondholders or of such Applicable Credit Facility Issuer, 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 therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under the Applicable Series Resolution, the Trustee 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 hereunder 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)

Priority of Payments After Default

If at any time the moneys held by the Trustee in the Applicable funds and accounts and under the Applicable Series Resolution are not sufficient to pay the principal of and interest on the Bonds of the Applicable Series as the same become due and payable (either by their terms or by acceleration of maturity), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, shall be applied (after payment of all amounts owing to the Trustee hereunder) as follows:

(a) Unless the principal of all the Bonds of the Applicable Series have become or been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of such maturity of the installments of such interest, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds; or

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available is not sufficient to pay in full all of such Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds of the Applicable Series have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in said Bonds.

Whenever moneys are to be applied by the Trustee of a Series of Bonds pursuant to the provisions under this heading "Priority of Payments After Default," such moneys will be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion determines, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose will constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the Authority, to any Holder of Bonds of any Applicable Series or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions hereof as may be applicable at the time of application by the Trustee. Whenever the Trustee exercises such discretion in applying such moneys, it will fix the date (which will be on an interest payment date unless the Trustee deems another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the fixing of any such date. Any payment to be made by the Trustee pursuant to this Section on account of the principal or Sinking Fund Installment of or an installment of interest on any Bonds theretofore paid with proceeds of a draw on a Credit Facility shall be made as reimbursement to the Credit Facility Issuer of such Credit Facility.

For these purposes, amounts drawn under a Credit Facility will not be available to satisfy amounts owing to the Trustee.

(Section 11.05)

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 will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Applicable Series Resolution, or for any other remedy under the Resolution unless such Holder or Applicable Credit Facility Issuer previously has 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 such Credit Facility Issuer or the Holders of not less than fifty percent (50%) 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) 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, have 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 have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted under the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also there has been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are in every such case, at the option of the Trustee, conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy thereunder. 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 will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and all proceedings at law or in equity will be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of an Applicable Series will have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right will not be impaired without the consent of such Holder.

(Section 11.08)

Waiver and Non-Waiver of Default

No delay or omission of the Trustee, any Applicable Credit Facility Issuers, if any, or any Holder of Bonds of an Applicable Series to exercise any right or power accruing upon any default will impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein. Every power and remedy given by the Resolution to the Trustee, any Applicable Credit Facility Issuers, if any, and the Holders of Bonds of an Applicable Series, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Applicable Credit Facility Issuers, if any, or Holders of not less than fifty percent (50%) in principal amount of the Outstanding Bonds of an Applicable Series with the prior written consent of the Applicable Credit Facility Issuers, if any, shall waive any default which in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Resolution or before the completion of the enforcement of any other remedy hereunder; but no such waiver will extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon. The rights of the Applicable Credit Facility Issuers under this heading "Waiver and Non-Waiver of Default" apply only to the extent there is no Credit Facility Default and the full benefit of the Credit Facility remains available.

(Section 11.11)

Notice of Event of Default

The Trustee will give notice of each event of default under the Resolution known to the Trustee to each Applicable Credit Facility Issuer and the Holders of Bonds of a Series within thirty (30) days after knowledge of the occurrence thereof, unless such event of 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 the principal, Sinking Fund Installments or Redemption Price of, or interest on, any of such Bonds, the Trustee will be protected in withholding notice thereof to the Holders of such Bonds if and so long as the Trustee in good faith determines that the withholding of such notice is in the best interests of such Holder. Each such notice of event of default shall be given by the Trustee by mailing written notice thereof: (i) to all registered Holders of Bonds of the Applicable Series, as the names and addresses of such Holders appear on the books for registration and transfer of bonds as kept by the Trustee, (ii) to the Obligated Group Representative, (iii) to any Rating Service then maintaining a rating on such Bonds, (iv) to each Applicable Credit Facility Issuer and (v) to such other persons as is required by law.

(Section 11.12)

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 will be discharged and satisfied, and the right, title and interest of the Trustee in the Applicable Loan Agreement, and the Revenues will thereupon cease with respect to such Series of Bonds. Upon such payment or provision for payment, the Trustee, on demand of the Authority, will release the lien of the Resolution and Applicable Series Resolution but only with respect to such Applicable Series, except as it covers moneys and securities provided for the payment of such Bonds, and will execute such documents to evidence such release as may be reasonably required by the Authority and the Institution and will turn over to the Institution 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 will have taken all action necessary to redeem such Bonds and notice of such redemption will have been duly mailed in accordance with the Resolution and the Applicable Series Resolution or irrevocable instructions to mail such notice will have been given to the Trustee.

2. Bonds of an Applicable Series for which moneys shall have been set aside, will be held in trust by the Trustee for the payment or redemption thereof, (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof 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 will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority will have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail, as provided in Article IV hereof, notice of redemption on said date of such Bonds, (b) except as otherwise set forth in the Series Resolution or Bond Series Certificate with respect to an Applicable Series of Bonds, there will have been deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of an Applicable Series on and prior to the redemption date or maturity date thereof, as the case may be, (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority will have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the holders of said Bonds at their respective last known addresses, if any, appearing on the registration books, that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid as described under this heading "Defeasance" and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority will give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with this subdivision. The Trustee will select which Bonds of such Series and which maturity thereof will be paid in accordance with this Section in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee as described under this heading "Defeasance" nor principal or interest payments on any such Defeasance Securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, will, to the extent certified by the Trustee to be in excess of the amount required 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 will 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 subdivision 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, will 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 subdivision 2 above, the Trustee will, 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 Applicable Credit Facility Issuer any unreimbursed amounts under such Credit Facility Issuer's Credit Facility and any reimbursement or related agreement associated therewith, pro rata, in proportion to the respective amounts then

unpaid to each Applicable Credit Facility Issuer; third, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based on the respective Provider Payments then not repaid to each Facility Provider; fourth, 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 hereby or by such Loan Agreement.

4. Option Bonds shall be deemed to have been paid in accordance with clause (b) of the second sentence of subdivision 2 above only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there will 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 subdivision 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 subdivision 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 will, 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 Applicable Credit Facility Issuer any unreimbursed amounts under such Credit Facility Issuer's Credit Facility and any reimbursement or related agreement associated therewith, pro rata, in proportion to the respective amounts then unpaid to each Applicable Credit Facility Issuer; third, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then not repaid to each Facility Provider; fourth, 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 will be released of any trust, pledge, lien, encumbrance or security interest created hereby 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 will be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority. In lieu of publishing such notice in an Authorized Newspaper, the Authority may post, or cause the Institution to post the matters set forth under this heading "Defeasance" 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 will be considered to have been paid, and the obligation of the Authority for the payment thereof will 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.

(Section 12.01)

Trustee to Act as Holder of Obligations

In the event that any request, direction or consent is required or permitted by the Master Indenture to be given with respect to an Applicable Obligation issued thereunder to secure any Bonds, the Trustee or its successor or

assign will be the registered owner of the Applicable Obligation for such Series of Bonds for the purpose of any such request, direction or consent. To the extent any such Obligation will secure a Series of Bonds that is secured by a Credit Facility, the prior written consent of the Applicable Credit Facility Issuer, unless a Credit Facility Default has occurred and is continuing, will also be required for any such request, direction or consent.

(Section 14.08)

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE

The Master Trust Indenture contains terms and conditions relating to the issuance of Obligations under the Master Trust Indenture, including various financial covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Master Trust Indenture, and reference is made to such Master Trust Indenture, copies of which are available from the Master Trustee. This summary uses various terms defined in the Master Trust Indenture and such terms as used in the Master Trust Indenture will have the same meanings as so defined.

MASTER TRUST INDENTURE

Certain Definitions (*Section 1.01*)

When used in this summary of the provisions of the Master Trust Indenture, the following terms have the meanings ascribed to them below.

“Additional Indebtedness” means any future Indebtedness incurred by any Member of the Obligated Group under the Master Trust Indenture or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group.

“Affiliate” means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by any Member or the Obligated Group Representative or their respective successors or assigns or by any Person which directly or indirectly controls a Member or the Obligated Group Representative and any joint ventures in which any of the Members or the Obligated Group Representative participates. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

“Audited Consolidated Financial Statements” means the Health System Financial Statements for a twelve-month period, or for such other period for which an audit has been performed, which have been audited and reported upon by a firm of nationally recognized independent certified public accountants selected by the Obligated Group Representative, prepared in conformity with generally accepted accounting principles. Such Audited Consolidated Financial Statements shall include consolidated statements of financial position, consolidated statements of operations, consolidated statements of changes in net assets and consolidated statements of cash flows, and shall also include the consolidating statement of financial position and the consolidating statement of operations from which the financial information relating solely to the Obligated Group Members may be derived for the same twelve-month period.

“Authorized Representative” means, with respect to the Obligated Group Representative, the Chairperson of its Governing Body, its President and Chief Executive Officer, its Senior Vice President and Chief Financial Officer, or its Senior Vice President and General Counsel, and, with respect to each Member of the Obligated Group, the Chairperson of its Governing Body, its President and Chief Executive Officer, its Senior Vice President and Chief Financial Officer, or its Senior Vice President and General Counsel, or any other person or persons designated an Authorized Representative of such Member by an Officer’s Certificate of the Obligated Group Representative or such Member of the Obligated Group, respectively, signed by the Chairperson of its Governing Body, its President and Chief Executive Officer, its Senior Vice President and Chief Financial Officer, or its Senior Vice President and General Counsel and filed with the Master Trustee.

“Balloon Long-Term Indebtedness” means Long-Term Indebtedness other than a Demand Obligation 25% or more of the principal amount of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

“Book Value” when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

“Capital Addition” means any addition, improvement or extraordinary repair to or replacement of any Property of a Member of the Obligated Group, whether real, personal or mixed, the cost of which is properly capitalized under generally accepted accounting principles.

“Code” means the Internal Revenue Code of 1986, as amended.

“Consultant” means a firm or firms selected by the Obligated Group Representative which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant or investment banking firm or other financial institution of national repute for having the skill and experience necessary to render the particular report required by the provision of the Master Trust Indenture in which such requirement appears and which is not unacceptable to (i) the Master Trustee and (ii) so long as any Related Bonds are Outstanding, the Related Bond Issuer and the Related Credit Facility Issuer.

“Control Agreement” means any agreement whereby the Obligated Group, a secured party and a banking institution have agreed in an authenticated record (such as a signed writing) that the banking institution will comply with instructions originated by the secured party directing disposition of the funds in a deposit account held by such banking institution as security for the benefit of the secured party without further consent by the Obligated Group.

“Credit Facility” means a financial guaranty insurance policy, line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility established in connection with the issuance of Indebtedness to provide credit or liquidity support for such Indebtedness.

“Credit Facility Issuer” means the firm, association, corporation or other Person, if any, which has issued a Credit Facility that provides credit or liquidity support with respect to Indebtedness or Related Bonds.

“Cross-over Date” means, with respect to Cross-over Refunding Indebtedness, the last date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

“Cross-over Refunded Indebtedness” means Indebtedness refunded by Cross-over Refunding Indebtedness.

“Cross-over Refunding Indebtedness” means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such refunding Indebtedness or refunded Indebtedness until the Cross-over Date.

“Defeasance Obligations” means, unless modified by the terms of a particular Supplement, (i) noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations, (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, and (v) stripped securities where the principal-only and interest-only strips of noncallable obligations

are issued by the U.S. Treasury or Resolution Funding Corp. or securities stripped by the Federal Reserve Bank of New York.

“Defeased Municipal Obligations” means obligations of state or local government municipal bond issuers rated the highest rating by S&P, Fitch or Moody’s, respectively, provision for the payment of the principal of and interest on which shall have been made by irrevocable deposit with a trustee or escrow agent of (i) noncallable, nonprepayable Government Obligations or (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

“Defeased Obligations” means Obligations issued under a Supplement that has been discharged, or provision for the discharge of which has been made, pursuant to the terms of such Supplement.

“Demand Obligation” means any Indebtedness the payment of all or a portion of which is subject to the demand of the holder thereof.

“Derivative Agreement” means, without limitation,

(a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract;

(b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices;

(c) any contract to exchange cash flows or payments or series of payments;

(d) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and

(e) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, or minimize investment risk or to protect against any type of financial risk or uncertainty.

“Derivative Period” means the period during which a Derivative Agreement is in effect.

“Escrowed Interest” means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the “Escrowed Interest Deposit”) which Escrowed Interest Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Interest.

“Escrowed Principal” means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the “Escrowed Principal Deposit”) which Escrowed Principal Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Principal.

“Event of Default” means any one or more of those events set forth in the Master Trust Indenture.

“Excluded Property” means any Property that is not Health Care Facilities of the Obligated Group.

“Fiscal Year” means the fiscal year of each Member of the Obligated Group, which will be the period commencing on January 1 of any year and ending on December 31 of such year unless the Master Trustee is notified in writing by the Obligated Group Representative of a change in such period, in which case the Fiscal Year will be the period set forth in such notice.

“Fitch” means Fitch, Inc., its successors and their assigns, and, if such entity will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “Fitch” will be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

“Governing Body” means, when used with respect to any Member of the Obligated Group and the Obligated Group Representative, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group or the Obligated Group Representative are exercised.

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

“Governmental Restrictions” means federal, state or other applicable governmental laws, regulations, rulings, judgments, court orders or consent decrees affecting any Member of the Obligated Group and its health care facilities including (a) Articles 28 and 28-B of the Public Health Law, and (b) those placing restrictions and limitations on (i) the fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such fees or charges.

“Gross Receipts” means all receipts, revenues, income and other moneys (other than proceeds of borrowing) received or receivable by or on behalf of a Member of the Obligated Group and all other amounts available to a Member of the Obligated Group from any other source, including without limitation contributions, donations, and pledges whether in the form of cash, securities or other personal property and the rights to receive the same whether in the form of accounts, payment on tangibles, contract rights, general intangibles, healthcare insurance receivables, chattel paper, deposit accounts, instruments, promissory notes and the proceeds thereof as such terms are presently or hereinafter defined in the Uniform Commercial Code in effect from time to time in the State of New York, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, however, Gross Receipts will not include (x) gifts, grants, bequests, donations, and contributions heretofore or hereafter made, and any income derived therefrom to the extent specifically restricted by the donor or grantor to a special object or purpose inconsistent with (i) paying debt service on an Obligation or (ii) meeting any commitment of a Member under a Related Loan Agreement; (y) funds which are established and maintained with fees collected in private practice by physicians who are employed by a Member of the Obligated Group or (z) all receipts, revenues, income and other moneys received or receivable by or on behalf of a Member of the Obligated Group, and all rights to receive the same whether in the form of accounts, contract rights, payment on tangibles, general intangibles, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof as such terms are presently or hereinafter defined in the Uniform Commercial Code in effect from time to time in the State of New York, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from the Excluded Property which constitutes real property.

“Gross Receipts Revenue Fund” means the fund established pursuant to Section 4.03 of the Master Trust Indenture.

“Guaranty” means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness under the Master Trust Indenture. For the purposes of the Master Trust Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group will have executed and delivered its Guaranty will, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, be deemed to be equal to 20% of the amount which would be payable as principal of and interest on the indebtedness for which a Guaranty will have been issued during the Fiscal Year for which any computation is being made (calculated in the same manner as the Long-Term Debt Service Coverage Ratio), provided that if there will have occurred a payment by a Member of the Obligated Group on such Guaranty, then, during the period commencing on the date of such payment and ending on the day which is one year after such other Person resumes making all payments on such guaranteed obligation, 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made will be taken into account.

“Health Care Facilities” means the Mortgaged Property and any other Property now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance, diagnosis and treatment of patients or to otherwise provide health care services. Any Property whose primary function or functions is other than the care, maintenance, diagnosis and treatment of patients and which has incidental health care services provided on its premises, will not be deemed to be Health Care Facilities.

“Health System” means the group of entities comprised of all Obligated Group Members and all of their Affiliates.

“Health System Financial Statements” means the consolidated financial statements prepared in conformity with generally accepted accounting principles, including financial information of the Obligated Group Members and of all of their Affiliates whose financial information is required by generally accepted accounting principles to be consolidated within such financial statements.

“Holder” means an owner of any Obligation issued in other than bearer form.

“Income Available for Debt Service” means, with respect to the Obligated Group, as to any period of twelve (12) consecutive calendar months, its Excess (Deficiency) of Revenue and Gains and Losses over Expenses (such capitalized terms are used herein in accordance with generally accepted accounting principles) before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with generally accepted accounting principles consistently applied; *provided, however*, that (1) no determination thereof will take into account (a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (b) unrealized gains and losses on investments (including “other than temporary impairment of marketable securities”), (c) the termination value of, as well as unrealized gains and losses on, Derivative Agreements of a Member of the Obligated Group, or (d) any extraordinary or non-recurring item, including payments on a called Guaranty, and (2) revenues will not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest to the extent that such earnings are applied to the payment of principal or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement or Related Bonds secured by such Long-Term Indebtedness.

“Indebtedness” means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by any Member of the Obligated Group and, (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness will not include obligations of any Member of the Obligated Group to another Member of the Obligated Group.

“Insurance Consultant” means a firm or Person which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health related facilities and services and organizations engaged in such operations and which is selected by the Obligated Group Representative and is not unacceptable to the Master Trustee; provided that, except with respect to the review of self-insurance programs, the term “Insurance Consultant” will include qualified in house risk management officers employed by any Member of the Obligated Group or an Affiliate.

“Lien” means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

“Long-Term Debt Service Coverage Ratio” means for any period of time the ratio determined by dividing the Income Available for Debt Service by Maximum Annual Debt Service.

“Long-Term Debt Service Requirement” means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account:

- (i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity will be included in such calculation or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated at least “A” by Moody’s, Fitch or S&P, or insured by an insurance policy issued by any insurance company rated at least “A” by Alfred M. Best Company or its successors in Best’s Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan or reimbursement agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year will be assumed to be payable pursuant to the terms of such loan or reimbursement agreement or repayment provisions;
- (ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness will be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period will be the initial rate at which such Indebtedness is issued and thereafter will be calculated as set forth above;
- (iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility will not be included in the Long-Term Debt Service Requirement;

- (iv) with respect to any guaranties, in accordance with the Definition of “Guaranty” in the Master Trust Indenture;
- (v) with respect to Indebtedness for which a Member of the Obligated Group will have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness, the principal or notional amount of such Derivative Agreement will be disregarded, and interest on such Indebtedness during any Derivative Period and for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder will be calculated by adding (a) the amount of interest payable by a Member of the Obligated Group on such underlying Indebtedness pursuant to its terms (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Indebtedness for the initial interest rate period will be the initial rate at which such Indebtedness is issued), and (b) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period will be the initial rate at which interest is payable under such Derivative Agreement), and subtracting (c) the amount of interest payable by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period will be the initial rate at which interest is payable under such Derivative Agreement); provided, however, that to the extent that the counterparty of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group will be the interest calculated as if such Derivative Agreement had not been executed; and
- (vi) with respect to a Derivative Agreement that does not relate to underlying Indebtedness which has been entered into by any Member of the Obligated Group, the principal or notional amount of such Derivative Agreement will be disregarded (for so long as the Member of the Obligated Group is not required to make any payment other than interest payments thereon) and interest on such Derivative Agreement during any Derivative Period, for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder, will be calculated by taking (a) the amount of interest payable by such Member of the Obligated Group at the rate specified in the Derivative Agreement and subtracting (b) the amount of interest payable by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement;

provided, however, that Escrowed Interest and Escrowed Principal will be excluded from the determination of Long-Term Debt Service Requirement; provided, further, however, that in connection with the calculation of “Long-Term Debt Service Requirement”, in no event will any payments to be made in respect of principal and/or interest on any Outstanding Long-Term Indebtedness of the Obligated Group during such period be counted more than once.

“Long-Term Indebtedness” means all Indebtedness having a maturity longer than one year incurred or assumed by any Member of the Obligated Group, including:

- (i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;
- (ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;
- (iii) installment sale or conditional sale contracts having an original term in excess of one year;

- (iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and
- (v) the current portion of Long-Term Indebtedness.

“Master Trust Indenture” means the Master Trust Indenture dated as of July 1, 1998, as amended and restated as of August 1, 2003, including any other amendments or supplements thereto, by and among the Members of the Obligated Group and the Master Trustee.

“Master Trustee” means The Bank of New York Mellon, New York, New York, and its successors in the trusts created under the Master Trust Indenture.

“Maximum Annual Debt Service” means the highest Long-Term Debt Service Requirement for the current or any succeeding Fiscal Year.

“Member of the Obligated Group” or **“Member”** means each of Northwell Healthcare, Inc., North Shore University Hospital, Long Island Jewish Medical Center, Glen Cove Hospital, Plainview Hospital, Northwell Health Stern Family Center for Rehabilitation, Lenox Hill Hospital, Southside Hospital, Huntington Hospital Association d/b/a Huntington Hospital and Staten Island University Hospital, and any other Person becoming a Member of the Obligated Group pursuant to the Master Trust Indenture.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

“Mortgaged Property” means any and all Property, whether real, personal or mixed, and all rights and interests in and to the Property, which is subject to the liens and security interests created pursuant to the Mortgages.

“Mortgages” means the Mortgages granted and to be granted by a Member of the Obligated Group to the Master Trustee, or assigned by a Person to the Master Trustee, on the Mortgaged Property, as security for the performance of the Members’ obligations under the Master Trust Indenture, as such Mortgages may be amended or modified from time to time, and includes any future mortgages from a Member of the Obligated Group to the Master Trustee, executed and delivered in each case in order to secure, *pari passu*, all Obligations issued and to be issued under the Master Trust Indenture. The Master Trustee shall take such actions as it deems reasonably necessary or appropriate to assure that any Mortgages granted in the future to the Master Trustee by any Members shall secure, *pari passu*, all Obligations issued and to be issued under the Master Trust Indenture. The Master Trustee may release portions of the Mortgaged Property from the Lien of the Mortgages, or amend or modify any of the Mortgages, at the direction of the Obligated Group Representative as set forth in an Officer’s Certificate demonstrating that any such release is a Permitted Release, or that any such amendment or modification is a Permitted Modification, as provided in Section 3.13 of the Master Trust Indenture. In the event of any such Permitted Release or Permitted Modification, the Master Trustee shall, upon direction of the Obligated Group Representative as set forth in such Officer’s Certificate, execute a release of its Lien on any such portion of the Mortgaged Property, in order to implement a Permitted Release, or execute any other appropriate instrument or document in order to implement a Permitted Modification.

“Non-Recourse Indebtedness” means any Indebtedness incurred to finance the purchase of Property secured exclusively by a Lien on such Property or the revenues or net revenues produced by such Property or both, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

“Obligated Group” means, collectively, the Members of the Obligated Group.

“Obligated Group Representative” means Northwell Healthcare, Inc., and its legal successors, and thereafter any Person as may be designated as such pursuant to written notice to the Master Trustee by the Members of the Obligated Group.

“Obligation” means the evidence of particular Indebtedness issued under the Master Trust Indenture as a joint and several obligation of each Member of the Obligated Group. “Obligation” may also include the evidence of a particular obligation of each Member of the Obligated Group under a Derivative Agreement.

“Officer’s Certificate” means a certificate signed by the Authorized Representative of such Member of the Obligated Group or the Obligated Group Representative as the context requires. Each Officer’s Certificate presented pursuant to the Master Trust Indenture will state that it is being delivered pursuant to (and will identify the section or subsection of), and will incorporate by reference and use in all appropriate instances all terms defined in, the Master Trust Indenture. Each Officer’s Certificate will state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer’s Certificate is delivered or will state in reasonable detail the nature of any non compliance and the steps being taken to remedy such non compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

“Operating Assets” means any or all land, leasehold interests, buildings, machinery, equipment, hardware, inventory and other tangible and intangible Property owned or operated by a Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

“Opinion of Bond Counsel” means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Master Trustee and each Related Bond Issuer.

“Opinion of Counsel” means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for the Obligated Group Representative or any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

“Outstanding” means, as of any date of determination, (i) when used with reference to Obligations, all Obligations theretofore issued or incurred and not paid and discharged other than (A) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (B) Defeased Obligations and (C) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser, and (ii) when used with reference to Indebtedness other than Indebtedness evidenced by an Obligation, all Indebtedness theretofore issued or incurred and not paid and discharged, other than Indebtedness deemed paid and no longer outstanding under the documents pursuant to which such Indebtedness was incurred; provided, however, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under the Master Trust Indenture, Obligations or Related Bonds that are owned by the Obligated Group Representative or any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member or the Obligated Group Representative will be deemed not to be Outstanding, provided further, however, that for the purposes of determining whether the Master Trustee will be protected in relying on any such direction, consent, or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned will be deemed to be not Outstanding.

“Permitted Liens” shall have the meaning given to such term found in the summary of Section 3.05 of the Master Trust Indenture under the heading “Limitations on Creation of Liens”.

“Permitted Modification” means a modification or amendment of a Mortgage implemented in accordance with the provisions of Section 3.13 of the Master Trust Indenture.

“Permitted Release” means a release from the Liens of the Mortgages of real property, fixtures, equipment, personal property or other property subject to the Mortgages implemented in accordance with the provisions of Section 3.13 of the Master Trust Indenture.

“Person” means an individual, association, unincorporated organization, limited liability company, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

“Property” means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

“Property, Plant and Equipment” means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

“Related Bond Indenture” means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

“Related Bond Issuer” means the issuer of any issue of Related Bonds.

“Related Bonds” means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof (*i.e.*, a “Related Bond Issuer”) (“governmental issuer”), pursuant to a Related Bond Indenture, the proceeds of which are loaned or otherwise made available to the Obligated Group Representative or a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer.

“Related Bond Trustee” means the trustee and its successors in the trusts created under any Related Bond Indenture.

“Related Credit Facility Issuer” means the Credit Facility Issuer with respect to any issue of Related Bonds.

“Related Loan Agreement” means any loan agreement, lease agreement or any similar instrument relating to the loan of proceeds of Related Bonds to a Member of the Obligated Group.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies Inc., its successors and their assigns, and, if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

“Series 2019 Bonds” means the Series 2019A Bonds of the Obligated Group Representative issued on behalf of the Obligated Group, and the Series 2019A Bonds and the Series 2019B Bonds of the Dormitory Authority of the State of New York issued on behalf of the Obligated Group.

“Series 2019 Obligations” means the Obligations issued pursuant to the Master Trust Indenture and the Series 2019 Supplemental Indentures and designated as “Northwell Health Obligated Group Obligation No. 57 for Series 2019A” and “Northwell Health Obligated Group Obligation No. 58 for Series 2019”.

“Series 2019 Supplemental Indentures” means the Supplemental Indentures for Obligations No. 57 and No. 58, each dated as of September 1, 2019, by and among the Members of the Obligated Group and the Master Trustee, pursuant to which the Series 2019 Obligations will be issued to secure the applicable Series 2019 Bonds.

“Short-Term Indebtedness” means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group, including:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;

(ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(iii) installment purchase or conditional sale contracts having an original term of one year or less.

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

“Supplement” means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Trust Indenture.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Total Operating Revenues” means, with respect to the Obligated Group, as to any period of time, total operating revenues less all deductions from revenues, as determined in accordance with generally accepted accounting principles consistently applied.

“Transfer” means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

“Variable Rate Indebtedness” means any portion of Indebtedness the interest on which has not been established at a fixed or constant rate to maturity.

Amount of Indebtedness (Section 2.01)

Subject to the terms, limitations and conditions established in the Master Trust Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations under the Master Trust Indenture or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created under the Master Trust Indenture are not limited, except as limited by the provisions of the Master Trust Indenture, including the provisions described under the heading “Limitations or Indebtedness”, or of any Supplement. Any Member of the Obligated Group proposing to issue an Obligation in a principal amount equal to or exceeding \$20,000,000, shall, at least seven (7) days prior to the date of the issuance of such Obligation, give written notice of its intention to issue such Obligation, including in such notice the amount of the Obligation to be issued and the subsection of Section 3.06 hereof under which such Obligation will be issued, to the Obligated Group Representative and the Master Trustee. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation issued under the Master Trust Indenture.

Supplement Creating Obligations (Section 2.05)

The Obligated Group Representative, on behalf of each Member of the Obligated Group and the Master Trustee, may, from time to time, enter into a Supplement in order to create an Obligation under the Master Trust Indenture. Such Supplement shall, (i) with respect to an Obligation evidencing Indebtedness created thereby, set forth the date thereof, and the date or dates on which the principal of and premium, if any, and interest on such Obligation shall be payable, the provisions regarding discharge thereof, and the form of such Obligation and such

other terms and provisions as shall conform with the provisions of the Master Trust Indenture, and (ii) with respect to an Obligation relating to an obligation under a Derivative Agreement, set forth the nature and form of such Obligation and such other terms and provisions as shall conform with the provisions of the Master Trust Indenture. Any Obligation evidencing Indebtedness or relating to a Derivative Agreement shall be secured *pari passu* by the security interest in and pledge of Gross Receipts granted under the Master Trust Indenture, and may be secured by such other Properties and revenues of the Members of the Obligated Group as may be permitted under the Master Trust Indenture as a Permitted Lien or under the provisions of a Supplement.

Obligations may be issued under the Master Trust Indenture to evidence and secure Indebtedness or to evidence and secure any other financial obligations of any Member or Members of the Obligated Group, including but not limited to obligations under Derivative Agreements or Credit Facilities, and all references in the Master Trust Indenture to payments of principal of, interest on, and premium on Obligations shall be deemed to include and refer to any and all other payments due or to become due on any Obligations. Any Obligation issued and authenticated under the Master Trust Indenture to evidence or secure obligations that do not constitute Indebtedness shall nevertheless be equally and ratably secured hereunder with all Obligations issued under the Master Trust Indenture, except as otherwise provided in the Master Trust Indenture; provided, however, that any such Obligations that evidence or secure obligations that do not constitute Indebtedness shall be deemed to be Outstanding hereunder solely for the purpose of receiving payment under the Master Trust Indenture and shall not be entitled to exercise any rights under the Master Trust Indenture, including but not limited to any rights to direct the exercise of remedies, to vote or to grant consents.

Security; Restrictions on Encumbering Property; Payment of Principal and Interest (Section 3.01)

(a) Any Obligation issued pursuant to the Master Trust Indenture will be a general obligation of each Member of the Obligated Group. To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations under the Master Trust Indenture, each Member of the Obligated Group has pledged, assigned and granted to the Master Trustee a security interest in its Gross Receipts, and each Member (other than Northwell Healthcare, Inc.) has granted or provided a Mortgage to the Master Trustee.

If any Event of Default has occurred, any Gross Receipts then on deposit in any fund or account of a Member of the Obligated Group (unless such account has been pledged as security as permitted in the Master Trust Indenture), and any Gross Receipts thereafter received, will immediately, upon receipt, be transferred into the Gross Receipts Revenue Fund established pursuant to the Master Trust Indenture. Upon receipt, all such Gross Receipts will be held by the Master Trustee in trust for the Holders from time to time of all Obligations issued and Outstanding under the Master Trust Indenture, without preference or priority of any one Obligation over any other Obligation. Prior to its receipt of a request from the Master Trustee pursuant to the Master Trust Indenture, any Member of the Obligated Group may transfer, or pledge as security, all or any part of its Gross Receipts free of such security interest, as permitted pursuant to the provisions of the Master Trust Indenture. In the event of such transfer or pledge, upon the request of a Member of the Obligated Group, the Master Trustee will execute a release of its security interest with respect to the assets so transferred.

In addition to the preceding paragraph, upon an Event of Default, the Members of the Obligated Group agree to take no action inconsistent with the pledge, assignment and deposit of Gross Receipts contemplated by the Master Trust Indenture, and to cooperate in all respects to assure the deposit of such Gross Receipts in the Gross Receipts Revenue Fund.

With respect to all Obligations issued, executed and delivered under the Master Trust Indenture, there will be delivered to the Master Trustee duly executed financing statements evidencing the security interests of the Master Trustee in the Gross Receipts of the Members of the Obligated Group in the form required by the New York Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State of the State of New York.

Each Member of the Obligated Group will also execute and deliver to the Master Trustee from time to time such amendments or supplements to the Master Trust Indenture as may be necessary or appropriate to include as security under the Master Trust Indenture the Gross Receipts. In addition, each Member of the Obligated Group

covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which will, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to the Master Trust Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to the Master Trust Indenture.

(b) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in (except for Permitted Liens or as may be otherwise provided in the Master Trust Indenture) any of its Property.

(c) Each Obligation will be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to the Master Trust Indenture at the place, on the dates and in the manner provided in the Master Trust Indenture and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(d) Each Member of the Obligated Group covenants that, if an Event of Default will have occurred and be continuing, or any Member of the Obligated Group will have failed to make a periodic deposit in respect of the interest on, or principal of any Related Bonds within three days after the same will have become payable, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured or such required deposit has been made, as the case may be, such Gross Receipts to be applied in accordance with the Master Trust Indenture.

As security for the obligation to make the payments on all Obligations when due under the Master Trust Indenture, the Members have granted to the Master Trustee a security interest in all of their Gross Receipts, as provided under Section 3.01 of the Master Trust Indenture, but the existence of any such security interests shall not prevent the expenditure, deposit or commingling of Gross Receipts by such Members of the Obligated Group so long as no Event of Default under the Master Trust Indenture exists and all required payments on the Obligations are made when due. Without limiting the generality of the foregoing, such security interest shall apply to all rights to receive Gross Receipts whether in the form of accounts, accounts receivable, contract rights or other rights, and to the proceeds of such rights. This security interest shall apply to all of the foregoing, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by such Members of the Obligated Group.

Upon the occurrence of an event which requires the funding of the Gross Receipts Revenue Fund the Obligated Group covenants to take all action necessary to insure that all such receipts and revenues are deposited into the Gross Receipts Revenue Fund including, but not limited to, depositing directly all payments received and directing all debtors and payors of the Obligated Group to make all payments due to the Obligated Group Members to the Gross Receipts Revenue Fund. The Gross Receipts Revenue Fund shall be subject to the lien of the Master Trust Indenture in favor of the Holders of all Obligations, as provided in Section 4.03(c) of the Master Trust Indenture. The Master Trustee is authorized to take such self-help and other measures that a secured party is entitled to take under the New York Uniform Commercial Code. Upon a cure or waiver of the event which requires the funding of the Gross Receipts Revenue Fund, the Master Trustee shall transfer the amounts on deposit in the Gross Receipts Revenue Fund to the Obligated Group Representative.

Covenants as to Corporate Existence, Maintenance of Properties, Etc. (Section 3.02)

Each Member of the Obligated Group covenants:

(a) Except as otherwise expressly provided in the Master Trust Indenture, 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 be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing contained in the Master Trust Indenture will be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) At all times to cause its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection (b) will be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing contained in the Master Trust Indenture will require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it will be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it will have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding under the Master Trust Indenture) whose validity, amount or collectability is being contested in good faith.

(f) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its health care facilities (other than those of a type for which accreditation is not available) by the Joint Commission on Accreditation of Healthcare Organizations or other applicable recognized accrediting body; provided, however, that it need not comply with this Section if and to the extent that its Governing Body will have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) So long as the Master Trust Indenture will remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it will not take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any Related Bonds becoming included in the gross income of the holder thereof for federal income tax purposes.

Insurance (*Section 3.03*)

Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate) covering such risks in such amounts and with such deductibles and co-insurance provisions as, in the judgment of its Governing Body, are adequate to protect it and its Property and operations.

The Obligated Group Representative is required to engage an Insurance Consultant to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially), and the Obligated Group is required to file a copy of such report as required pursuant to Section 3.10(d) of the Master

Trust Indenture. If the Insurance Consultant makes recommendations for the increase of any coverage, the applicable Member of the Obligated Group is required to increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of such Member that such recommendations, in whole or in part, are in the best interests of the Obligated Group. If the Insurance Consultant makes recommendations for the decrease or elimination of any coverage, the Member of the Obligated Group may decrease or eliminate such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in this Section to the contrary, each Member of the Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group Representative furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually.

Insurance and Condemnation Proceeds (*Section 3.04*)

(a) Unless otherwise provided in the Mortgages or Related Loan Agreements, amounts that do not exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

(b) Unless otherwise provided in the Mortgages or Related Loan Agreements, amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Health Care Facilities or as condemnation awards relating to the Health Care Facilities will be applied to repair or replace the Property (either Property serving the same function or other Property that, in the judgment of the Governing Body, is of equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of any pertinent Supplement; provided, however, subject to the terms of the Related Loan Agreement, such amounts may be used in such manner as the recipient may determine, if the recipient notifies the Master Trustee and within 12 months after the casualty loss or taking, delivers to the Master Trustee:

(i) (A) An Officer's Certificate of the Obligated Group Representative certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in subsection (i) of this section to be not less than 1.20, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level; and an Officer's Certificate of the Obligated Group Representative certifying that the recipient will use such proceeds in accordance with the recommendations contained in the Consultant's report.

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law and any Related Loan Agreement and any Mortgage, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii), of this Section.

Limitations on Creation of Liens (*Section 3.05*)

(a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 180 days; and (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof;

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under the Master Trust Indenture, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date of the Master Trust Indenture, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien thereunder;

(vi) Any Liens of a new Member or a successor to an existing Member that is permitted to remain outstanding after such new Member or successor becomes a Member of the Obligated Group pursuant to paragraph (e) under the heading “Consolidation, Merger, Sale or Conveyance” herein or paragraph (e) under the heading “Parties Becoming Members of the Obligated Group” herein;

(vii) Any Lien securing Non-Recourse Indebtedness permitted by paragraph (d) under the heading “Limitations on Indebtedness” herein;

(viii) Any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions under the heading “Limitations or Indebtedness” herein, and if an Officer’s Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations of the Master Trust Indenture on creation of Liens on Property of the Obligated Group;

(ix) So long as no Event of Default exists under the Master Trust Indenture, any Lien on accounts receivable and the proceeds from the sale thereof securing Indebtedness or Derivative Agreements, which conforms to the limitations contained under the heading “Limitations on Indebtedness” herein;

(x) Any Lien on Property which secures Indebtedness or Derivative Agreements that do not exceed in aggregate 20% of Total Operating Revenue as reflected in the most recent Audited Consolidated Financial Statements of the Obligated Group;

(xi) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(xii) Any Lien in favor of a trustee or other agent on the proceeds of Indebtedness and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding or defeasing Indebtedness;

(xiii) Any Lien securing all Obligations on a parity basis;

(xiv) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xv) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xvi) Liens on those items described in, or the right to receive the items described in, clauses (x), (y) and (z) of the definition of Gross Receipts set forth above;

(xvii) Liens on Property due to rights of third party payers for recoupment of amounts paid to any Member of the Obligated Group;

(xviii) Any Lien created in the Related Loan Agreements;

(xix) The Mortgages; and

(xx) Any Lien on Excluded Property.

Limitations on Indebtedness (Section 3.06)

Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to any one of subsections (a) to (g) inclusive, set forth under this heading. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections. Each Member of the Obligated Group further covenants and agrees that it will not incur any Additional Indebtedness without the written consent of the Obligated Group Representative, as evidenced by an Officer's Certificate to be delivered to the Master Trustee prior to the incurrence of such Additional Indebtedness in accordance with the requirements contained under the heading "Amount of Indebtedness," and a certified resolution of the Governing Board of such Member of the Obligated Group.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Obligated Group Representative certifying that: (A) the cumulative principal amount of all Long-Term Indebtedness incurred pursuant to this subsection 3.06(a)(i)(A) does not exceed 20% of Total Operating Revenues, or (B) the Long-Term Debt Service Coverage Ratio for the most recent twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available, taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.20 (provided, however, that for so long as the Series 1998 Bonds are Outstanding and the Credit Facility Issuer therefor is not in default on its obligations under its Credit Facility insuring the Series 1998 Bonds, such provisions shall require that the historic Long-Term Debt Service Coverage Ratio be met based upon the average of the two most recent periods of twelve (12) full calendar months for which Audited Consolidated Financial Statements are available); or

(ii) (1) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available, excluding the proposed Long-Term Indebtedness, is at least 1.20 (provided, however, that for so long as the Series 1998 Bonds are Outstanding and the Credit Facility Issuer therefor is not in default on its obligations under its Credit Facility insuring the Series 1998 Bonds, such provisions shall require that the historic Long-Term Debt Service Coverage Ratio be met based upon the average of the two most recent periods of twelve (12) full calendar months for which Audited Consolidated Financial Statements are available) and (2) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.20 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two full Fiscal Years succeeding the date on which such capital improvements are forecasted to be in operation or (y) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; provided, however, that compliance with the tests set forth in this subparagraph (a)(ii) may be evidenced by a certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in this clause (a)(ii)(2) is equal to or greater than 1.50; provided, however, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements will be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness may be incurred if, prior to the incurrence of such Long-Term Indebtedness, (i) the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness there is delivered to the Master

Trustee (A) an Officer's Certificate of the Obligated Group Representative demonstrating that Maximum Annual Debt Service will not increase by more than 15% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Counsel stating that upon the incurrence of such Proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii) the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Obligated Group Representative stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Related Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 15%.

(c) Short-Term Indebtedness may be incurred in the ordinary course of business subject to the limitation that the aggregate of all Short-Term Indebtedness will not at any time exceed 20% of Total Operating Revenues as reflected in the Audited Consolidated Financial Statements of the Obligated Group for the most recent period of twelve consecutive months for which Audited Consolidated Financial Statements are available; provided, however, that there will be a period of at least 30 consecutive calendar days during each such period of twelve consecutive calendar months for which Audited Consolidated Financial Statements are available during which Short-Term Indebtedness will not exceed 5% of Total Operating Revenues. For purposes of this paragraph (c), a Guaranty of Short-Term Indebtedness shall be valued at 20% of the aggregate principal amount of the Short-Term Indebtedness guaranteed so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles; provided that in the event such Guaranty shall be drawn upon, such Guaranty shall be valued at 100% of the aggregate principal amount of the Short-Term Indebtedness guaranteed. For the purpose of calculating compliance with the tests set for in this paragraph (c), Short-Term Indebtedness secured by accounts receivable will not be taken into account except to the extent provided in paragraph (f) under this heading.

(d) Non-Recourse Indebtedness may be incurred without limit.

(e) Subordinated Debt may be incurred without limit.

(f) Short-Term Indebtedness secured by accounts receivable may be incurred within the limitations imposed on the pledge or sale of accounts receivable, as provided in the last paragraph under this heading; provided that at the time of incurrence, the outstanding principal amount of such Short-Term Indebtedness is less than or equal to the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness. At any time that the outstanding principal amount of such Short-Term Indebtedness is greater than the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness, the excess amount will be treated as Short-Term Indebtedness for the purposes of the tests set forth in paragraph (c) under this heading.

(g) Indebtedness may be incurred in an amount limited to the cost of completion for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there will be delivered to the Master Trustee (i) a certificate of the Obligated Group Representative to the effect that the Obligated Group Representative did reasonably expect at the time the initial Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the Capital Addition, (ii) a licensed architect's or licensed engineer's certificate to the effect that the proceeds of such additional Indebtedness will be sufficient to complete the Capital Addition and (iii) the amount of such Indebtedness is limited to the costs identified in (i) above plus necessary reserves and costs related to issuance of such Indebtedness.

Indebtedness incurred pursuant to subsection (a)(i) under this heading may be reclassified as Indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a "put" or "tender" provision pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity will not be considered Balloon Long-Term

Indebtedness, solely by reason of such “put” or “tender” provision, and the put or tender provision will not be taken into account in testing compliance with any debt incurrence test pursuant to this Section.

Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance herewith in an aggregate amount not exceeding 75% of the three-month average outstanding accounts receivable of the Obligated Group that are 90 days old or less as calculated in accordance with generally accepted accounting principles. The three-month average will be calculated based on the month end available balances for the three full calendar months immediately preceding the date on which such accounts receivable are sold, pledged, assigned or otherwise disposed or encumbered. Accounts receivable that are more than 90 days old may not be sold, pledged, assigned or otherwise disposed or encumbered.

Long-Term Debt Service Coverage Ratio (*Section 3.07*)

(a) The Members of the Obligated Group covenant to set rates and charges for their facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10 for such prior Fiscal Year; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto will not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by subsection (a) hereof, as derived from the most recent Audited Consolidated Financial Statements for the most recent Fiscal Year, is not met, the Obligated Group covenants to retain a Consultant within 30 days of the delivery of the aforementioned Audited Consolidated Financial Statements to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Any Consultant so retained will be required to submit such recommendations within 45 days after being so retained. Each Member of the Obligated Group agrees that it will, to the extent permitted by Governmental Restrictions, follow the recommendations of the Consultant. So long as a Consultant will be retained and each Member of the Obligated Group will follow such Consultant’s recommendations to the extent permitted by such Governmental Restrictions, this Section will be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level; provided, however, that the Obligated Group will not be required to retain a Consultant to make recommendations pursuant to this subsection (b) more frequently than biennially.

Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Unsecured Loans to Non-Members; Sale of Accounts (*Section 3.08*)

(a) Each Member of the Obligated Group agrees that it will not transfer Property in any Fiscal Year (or other 12-month period for which Audited Consolidated Financial Statements are available) except for Transfers of Property:

(i) To any Person provided such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property.

(ii) To another Member of the Obligated Group without limit.

(iii) To any Person provided there will be delivered to the Master Trustee prior to such Transfer an Officer’s Certificate certifying that the Obligated Group is in compliance with the requirements set forth under the heading “Long-Term Debt Service Coverage Ratio” and the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12)

full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Audited Consolidated Financial Statements have been reported upon by independent certified public accountants (which period of 12 full consecutive months will have ended not more than eighteen calendar months prior to the date of the Officer's Certificate) and such Long-Term Debt Service Coverage Ratio is not less than 1.20 and not less than 65% of what it would have been were such Transfer not to take place.

(iv) To any Person if the aggregate Book Value of the Property Transferred pursuant to this subsection (iv) in the current Fiscal Year does not exceed 10% of the Book Value of all Property of the Obligated Group as shown in the Audited Consolidated Financial Statements for the most recent Fiscal Year.

(v) To any Person if the Property Transferred pursuant to this subsection (v) was transferred in the ordinary course of business, and at fair and reasonable terms, no less favorable to the Member of the Obligated Group, which could have been attained in a comparable arms-length transaction; provided further, however, that the proceeds from such Property Transferred are used to acquire Property, used to repay Indebtedness, or used for any other corporate purpose of a Member or Members.

(vi) To a Person which at the time of the Transfer is not a Member of the Obligated Group or successor corporation pursuant to a merger or consolidation permitted by the Master Trust Indenture, without limit, if such Person or successor corporation will, at the time of such Transfer, become a Member of the Obligated Group pursuant to the Master Trust Indenture.

(b) Any Member of the Obligated Group will have the right to sell, pledge, assign or otherwise dispose of its accounts receivable, with or without recourse, if such Member of the Obligated Group will receive as consideration for such sale, pledge, assignment or other disposition cash, services or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group and if such sale, pledge, assignment or other disposition meets the limitations contained in the last paragraph under the heading "Limitations on Indebtedness" regarding the aggregate limit on the pledge, sale or other disposition or encumbrance of accounts receivable.

(c) Nothing contained under this heading is intended to prohibit the Transfer of Property, including cash, for payment of goods and services in the ordinary course of business of, or for the acquisition of Property by, the Members of the Obligated Group.

Consolidation, Merger, Sale or Conveyance (*Section 3.09*)

(a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation will execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under the Master Trust Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Trust Indenture and any Supplement thereto; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Trust Indenture; and

(iii) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there will have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating that (A) if such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of 12 full consecutive calendar months for which Audited Consolidated Financial Statements are available, the Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.10, (B) if such merger, consolidation or sale of assets had occurred at the end of the most recent period of 12 full consecutive calendar months for which Audited Consolidated Financial Statements are available (which period of 12 full consecutive months will have ended not more than eighteen calendar months prior to the date of the Officer's Certificate), the conditions described in subsection (a)(i)(B) under the heading "Limitation on Indebtedness" would have been satisfied for the incurrence of an additional \$1.00 of Additional Indebtedness, and (C) the unrestricted net assets plus temporarily restricted net assets of the successor, resulting or acquiring corporation, as the case may be, after giving effect to said merger or consolidation, or sale or conveyance of assets is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Member of the Obligated Group which was merged into, consolidated with or whose assets were acquired by, such successor corporation as reflected in the most recent Audited Consolidated Financial Statements.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation will succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Master Trust Indenture as such predecessor or had become a Member of the Obligated Group pursuant to the provisions described under the heading "Parties Becoming Members of the Obligated Group," as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable under the Master Trust Indenture; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in the Master Trust Indenture prescribed, the Master Trustee will authenticate and will deliver Obligations that such successor corporation will have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation under the Master Trust Indenture will in all respects have the same security position and benefit under the Master Trust Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Trust Indenture as though all of such Obligations had been issued under the Master Trust Indenture without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under the Master Trust Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subparagraph (a)(iv) under this heading has been delivered, the Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of the Master Trust Indenture to join in the execution of any instrument required to be executed and delivered by this Section.

(e) Any Indebtedness previously incurred by the Person or successor corporation becoming a Member of the Obligated Group pursuant to this Section will be permitted to remain outstanding, and any lien or security interest securing such Indebtedness will be permitted to remain in effect if such Indebtedness could have been

incurred pursuant to the provisions of the Master Trust Indenture immediately after such Person or successor corporation became a Member of the Obligated Group.

(f) All references in the Master Trust Indenture to successor corporations will be deemed to include the surviving corporation in a merger.

Filing of Audited Consolidated Financial Statements, Certificate of No Default; Other Information (Section 3.10)

The Obligated Group covenants that it will:

(a) Within 30 days after receipt of the audit report mentioned below, but in no event later than 150 days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited Consolidated Financial Statements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Consolidated Financial Statements will be prepared in accordance with generally accepted accounting principles and will include such statements necessary for a fair presentation of financial position, statement of activity and changes in net assets and cash flows of such fiscal reporting period.

(b) Within 30 days after receipt of the audit report mentioned above, but in no event later than 150 days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether, to the best knowledge of the signer, any Member of the Obligated Group is in default in the performance of any covenant contained in the Master Trust Indenture and, if so, specifying each such default of which the signer may have knowledge.

(c) If an Event of Default will have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or Obligated Group of companies, including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Within 30 days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Trust Indenture requires to be prepared by a Consultant or an Insurance Consultant.

Parties Becoming Members of the Obligated Group (Section 3.11)

Persons which are not Members of the Obligated Group and corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted by the provisions described under the heading "Consolidation, Merger, Sale or Conveyance" may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group will execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under the Master Trust Indenture and any Supplements and thereby become subject to compliance with all provisions of the Master Trust Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Trust Indenture, (ii) to adopt the same Fiscal Year as that of the Members of the Obligated Group, and (iii) unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding under the Master Trust Indenture will be paid in accordance with the terms thereof and of the Master Trust Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, will be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, each Related Bond Issuer and each Related Credit Facility Issuer, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances and that the obligations of such Person or successor corporation created thereunder include the requirements described in subsection (a).

(c) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there will be filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of any Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(d) An Officer's Certificate of the Obligated Group Representative will be provided to the Master Trustee demonstrating that (i) after giving effect to the admission of such Person as a Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of such Person and the unrestricted net assets plus temporarily restricted net assets of the Obligated Group is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person will become a member of the Obligated Group and (ii) the conditions described in subsection (a)(i)(B) under the heading "Limitation on Indebtedness" have been satisfied for the incurrence of an additional one dollar of Additional Indebtedness, assuming that the Person or corporation which is becoming a Member of the Obligated Group had become a Member at the beginning of the most recent period of 12 full consecutive calendar months for which Audited Consolidated Financial Statements are available (which period of 12 full consecutive months will have ended not more than 18 calendar months prior to the date of the Officer's Certificate).

(e) Any Indebtedness previously incurred by a new Member of the Obligated Group will be permitted to remain outstanding, and any lien or security interest securing such Indebtedness will be permitted to remain in effect if such Indebtedness could have been incurred pursuant to the provisions described under the heading "Limitations on Indebtedness" immediately after such Person became a Member of the Obligated Group.

Withdrawal from the Obligated Group (*Section 3.12*)

(a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Obligated Group Representative; provided, that prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Related Bonds which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holders thereof, there will be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof under the Code;

(ii) (A) An Officer's Certificate of the Obligated Group Representative demonstrating that (1) the conditions described in subsection (a)(i)(B) under the heading "Limitation on Indebtedness" have been satisfied for the incurrence of an additional one dollar of Additional Indebtedness, assuming such withdrawal to have occurred at the end of the most recent period of 12 full consecutive calendar months for which Audited Consolidated Financial

Statements are available, (2) the Long-Term Debt Service Coverage Ratio for the most recent period of 12 full consecutive calendar months for which Audited Consolidated Financial Statements are available (x) would not, if such withdrawal had occurred at the end of such period, be reduced by more than 35%; provided, however, that in no event will such ratio be reduced to less than 1.20, or (y) would be greater than in the absence of such withdrawal, and (3) after giving effect to the withdrawal of such Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Member of the Obligated Group withdraws from the Obligated Group; or (B) a written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two periods of 12 full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.35; provided, however, that compliance with the test set forth in clause (B) above may be evidenced by an Officer's Certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio for each of the two periods of twelve full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 2.00 and not less than 65% of what it would have been were such withdrawal not to take place, assuming such withdrawal had occurred on the first day of the most recent twelve month period for which Audited Consolidated Financial Statements of the Obligated Group are available; and

(iii) an Opinion of Counsel, addressed and satisfactory to the Master Trustee and each Credit Facility Issuer to the effect that such withdrawal is authorized by and complies with all Governmental Restrictions and the provisions of the Master Trust Indenture and any agreements or other documents relating to the Master Trust Indenture, the Obligations or the Related Bonds.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, any guaranty by such Member pursuant hereto will be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Trust Indenture will cease.

Permitted Releases and Permitted Modifications with Respect to the Mortgages (*Section 3.13*)

(a) The Mortgages have been assigned or granted to the Master Trustee as additional security for all Obligations issued and to be issued under the Master Trust Indenture. The Members of the Obligated Group covenant that except for Permitted Releases described in paragraph (b) of Section 3.13 (which Permitted Releases shall also include a release to implement a sale and leaseback of a portion of the Mortgaged Property), the Members of the Obligated Group shall not release or allow the release of any of the Mortgaged Property encumbered by the Mortgages from the Lien of such Mortgages. The Members of the Obligated Group also covenant that, except for Permitted Modifications described in paragraph (c) of Section 3.13, the Members of the Obligated Group shall not modify or amend any of the Mortgages.

(b) Permitted Releases shall include only the following:

(1) a release made with respect to a portion of the Mortgaged Property that is to be disposed of in conjunction with a Transfer of Property permitted under Section 3.08 of the Master Trust Indenture (other than Section 3.08(a)(ii)); provided that (i) no such release shall be with respect to the primary healthcare facilities of any Member of the Obligated Group (primary healthcare facilities being any premises that include a building containing more than fifty (50) acute care inpatient beds that are licensed to any Member of the Obligated Group); (ii) any such release shall not, as determined in an Officer's Certificate of the Obligated Group Representative delivered to the Master Trustee, impair the ability of the applicable Member of the Obligated Group to perform its functions as a Health Care Facility; and (iii) if the portion of the Mortgaged Property to be released was financed or refinanced with the proceeds of Related Bonds, there is delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such release, in

and of itself, would not adversely affect the exclusion of interest payable on such Related Bonds from the gross income of the holder thereof for purposes of federal income taxation; or

(2) a release made with respect to a portion of the Mortgaged Property of a Member upon the withdrawal of such Member from the Obligated Group in accordance with Section 3.12 of the Master Trust Indenture; provided that any Related Bonds issued for the benefit of, or the proceeds of which were used at facilities of, such withdrawing Member have been redeemed, defeased or discharged at or prior to the date of such Member's withdrawal from the Obligated Group; or

(3) a release made with respect to a portion of the Mortgaged Property, so long as such portion constitutes Excluded Property; or

(4) a release made with respect to any portion of the Mortgaged Property so long as a Mortgage is granted to the Master Trustee on additional Property (to be added as additional Mortgaged Property), which additional Property is to be used by the Obligated Group to provide clinical services, or to provide support for clinical services, at the Health Care Facilities of one or more Members of the Obligated Group, and which additional Property has an appraised value equal to or greater than the appraised value of the portion of the Mortgaged Property being released; provided, however, that such substituted Property 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); provided further, however, that any grant of a Mortgage on any 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; or

(5) a release made with respect to machinery, equipment, fixtures or other personal property located on the Mortgaged Property if such property would be eligible to be disposed of pursuant to the provisions of Section 3.08(a) of the Master Trust Indenture, or in order to implement a permitted financing or a sale and leaseback with respect to such machinery, equipment, fixtures or other personal property, or a sale and leaseback with respect to a portion of the Mortgaged Property; or

(6) a release made with respect to a portion of the Mortgaged Property, but only with the prior written consent of certain Credit Facility Issuers.

(c) Permitted Modifications shall include only the following:

(1) a modification or amendment to a Mortgage to cure any ambiguity or formal defect or omission therein; or

(2) a modification or amendment to a Mortgage to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other modifications or amendments with respect to matters or questions arising under such Mortgage which shall not materially and adversely affect the interests of the Holders; or

(3) a modification or amendment to a Mortgage to grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon the Holders; or

(4) a modification or amendment to a Mortgage to make any necessary or appropriate changes to reflect the issuance of additional Obligations in accordance with the provisions of Section 3.06 of the Master Trust Indenture; or

(5) a modification or amendment to a Mortgage, or a consent with respect thereto, to implement any necessary or appropriate changes to reflect matters relating to zoning, land use, environmental and other real property laws, ordinances, rules or regulations that in substance do not alter the security provided pursuant to such Mortgage or that shall not materially and adversely affect the interests of the Holders; or

(6) a modification or amendment to a Mortgage covering a portion of the Mortgaged Property so long as such portion constitutes Excluded Property; or

(7) a modification or amendment to a Mortgage, but only with the prior written consent of certain Credit Facility Issuers.

(d) The Master Trustee, at the direction of the Obligated Group Representative as set forth in an Officer's Certificate, shall cooperate with the Obligated Group and execute any and all documents or instruments in order to promptly implement any such Permitted Release or Permitted Modification. In addition, the Master Trustee, at the direction of the Obligated Group Representative as set forth in an Officer's Certificate, shall grant such consents and approvals, and shall subordinate the Lien on a portion of the Mortgaged Property to such easements or other non-monetary encumbrances, as a Member of the Obligated Group may from time to time request; provided that any such action does not materially impair the Lien of the applicable Mortgage on the Mortgaged Property nor materially diminish the value or utility of the Mortgaged Property.

Events of Default (Section 4.01)

Event of Default, as used herein, will mean any of the following events:

(a) The Members of the Obligated Group will fail to make any payment of the principal of, the premium, if any, or interest on any Obligations issued and Outstanding under the Master Trust Indenture when and as the same will become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Trust Indenture or of any Supplement;

(b) Any Member of the Obligated Group will fail duly to perform, observe or comply with any covenant or agreement on its part under the Master Trust Indenture for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, will have been given to the Members of the Obligated Group and the Obligated Group Representative by the Master Trustee, or to the Members of the Obligated Group and the Obligated Group Representative and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding or by the Credit Facility Issuer, if any, with respect to an Obligation or Related Bonds; provided, however, that if said failure be such that it cannot be corrected within 30 days after the receipt of such notice, it will not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected;

(c) An event of default will occur under a Related Bond Indenture, under a Related Loan Agreement, upon a Related Bond or under a Mortgage that secures any Obligation issued under the Master Trust Indenture;

(d) (i) Any Member of the Obligated Group will fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding under the Master Trust Indenture), which Indebtedness is in an aggregate principal amount greater than 1% of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or will hereafter be created, and any period of grace with respect thereto will have expired, or (ii) there will occur an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness is in an aggregate principal amount greater than 1% of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or will hereafter be created, which event of default will not

have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness will have been accelerated; provided, however, that such default will not constitute an Event of Default within the meaning of this Section if within 30 days (i) written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that such Member of the Obligated Group is contesting the payment of such Indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith will commence proceedings to contest the obligation to pay such Indebtedness and if a judgment relating to such Indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness;

(e) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; and

(f) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

Acceleration; Annulment of Acceleration (*Section 4.02*)

(a) Upon the occurrence and during the continuation of an Event of Default under the Master Trust Indenture, the Master Trustee may and, upon the written request of the Holders of not less than 25% in aggregate principal amount of Obligations Outstanding, will, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable, whereupon such Obligations will become and be immediately due and payable, anything in the Obligations or in any other section of the Master Trust Indenture to the contrary notwithstanding. In the event Obligations are accelerated there will be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

(b) At any time after the principal of the Obligations will have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group under the Master Trust Indenture will have been paid or a sum sufficient to pay the same will have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) will have been remedied or waived pursuant to the provisions under the heading "Waiver of Event of Default", then the Master Trustee may, and upon the written request of Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding will, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment will extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Additional Remedies and Enforcement of Remedies (Section 4.03)

(a) Upon the occurrence and continuance of an Event of Default under the Master Trust Indenture, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding or upon the request of the Credit Facility Issuer, if any, with respect to any series of Obligations or Related Bonds, together with indemnification of the Master Trustee to its satisfaction therefor, will, proceed forthwith to protect and enforce its rights and the rights of the Holders under the Master Trust Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, will deem expedient, including but not limited to:

- (i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;
- (ii) Bring suit upon all or any part of the Obligations;
- (iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;
- (iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;
- (v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of New York;
- (vi) Enforcement of any Mortgage granted by any Member of the Obligated Group to secure any one or more Obligations; and
- (vii) Enforcement of any other right of the Holders conferred by law or by the Master Trust Indenture.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding or the Credit Facility Issuer, if any, with respect to a series of Obligations or Related Bonds, will, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised will be necessary or expedient (i) to prevent any impairment of the security under the Master Trust Indenture by any acts which may be unlawful or in violation thereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Trust Indenture and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of the Holders not making such request.

(c) Upon the occurrence of an Event of Default, the Master Trustee may, and if requested in writing by the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding or the Credit Facility Issuer, if any, with respect to a series of Obligations or Related Bonds, realize upon any security interest which the Master Trustee may have in Gross Receipts and will establish and maintain a Gross Receipts Revenue Fund into which will be deposited all Gross Receipts as and when received. All amounts deposited into the Gross Receipts Revenue Fund will be applied by the Master Trustee or made available to any alternate paying agent appointed pursuant to any Supplement for application (i) to the payment of the reasonable and necessary operating expenses of the Obligated Group, all in accordance with budgeted amounts proposed by the Obligated Group Representative, (ii) to the payment of the principal or redemption price of, and interest on all Obligations in accordance with their respective terms, and (iii) such other amounts as may be required by the Master Trust Indenture and any Supplement thereto. Pending such application, all such moneys and investments in the Gross Receipts Revenue Fund will be held for the equal and ratable benefit of all Obligations Outstanding; provided, that amounts held in the Gross Receipts Revenue Fund for making of debt service payments on or after the due date for Obligations will be reserved and set aside solely for the purpose of making such payment. In addition, with regard

to Gross Receipts, the Master Trustee may take any one or more of the following actions: (i) during normal business hours enter the offices or facilities of any Member of the Obligated Group and examine and make copies of the financial books and records of the Member relating to the Gross Receipts and take possession of all checks or other orders for payment of money and moneys in the possession of the Members of the Obligated Group representing Gross Receipts or proceeds thereof; (ii) notify any account debtors obligated on any Gross Receipts to make payment directly to the Master Trustee, (iii) following such notification to account debtors, collect, or, in good faith compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from each Member's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member whether or not the full amount of any such account receivable or contract right owing will be paid to the Master Trustee; (iv) forbid any Member to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Receipts, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (v) endorse in the name of the applicable Member any checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof.

(d) In addition to any remedies enforceable pursuant to the Master Trust Indenture, upon the occurrence and continuance of any Event of Default under the Master Trust Indenture, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding, as provided in Section 4.03(a) of the Master Trust Indenture, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders under the Master Trust Indenture by such suits, actions, foreclosure proceedings or other proceedings as the Master Trustee, being advised by counsel, shall deem expedient regarding enforcement of rights under the Mortgages. Any proceeds received from the enforcement of the rights of the Master Trustee as beneficiary under any particular Mortgage shall be distributed by the Master Trustee to satisfy any amounts then due and owing under any Obligations in accordance with the Master Trust Indenture.

Application of Moneys after Default (Section 4.04)

During the continuance of an Event of Default, subject to the expenditure of moneys to make any payments required to permit any Member of the Obligated Group to comply with any requirement or covenant in any Related Indenture to cause Related Bonds the interest on which, immediately prior to such Event of Default, is excludable from the gross income of the recipients thereof for federal income tax purposes under the Code to retain such status under the Code, all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Article of the Master Trust Indenture relating to Events of Default will be applied, after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee pursuant to the Master Trust Indenture and with respect to the payment of Obligations thereunder, as follows:

(a) Unless the principal of all Outstanding Obligations will have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, together with (i) any premium (including, without limitation, any make-whole amount) due thereon, and (ii), as provided in Section 2.05 of the Master Trust Indenture, any and all other payments or amounts, other than interest, due on any Obligations whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available will not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference; and

Third: To the extent there exists a Credit Facility Issuer with respect to any series of Obligations or Related Bonds, amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clauses First and Second above.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid, together with (i) any premium (including, without limitation, any make-whole amount) due thereon, and (ii), as provided in Section 2.05 of the Master Trust Indenture, any and all other payments or amounts due on any Obligations, upon Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest and premium (including, without limitation, any make-whole amount) due thereon, and, as provided in Section 2.05 of the Master Trust Indenture, any and all other payments or amounts due on any Obligations, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal of all Outstanding Obligations will have been declared due and payable, and if such declaration will thereafter have been rescinded and annulled under the provisions of the Article of the Master Trust Indenture relating to Events of Default, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Outstanding Obligations will later become due or be declared due and payable, the moneys will be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys will be applied by it at such times, and from time to time, as the Master Trustee will determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee will apply such moneys, it will fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates will cease to accrue. The Master Trustee will give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and will not be required to make payment to the Holder of any unpaid Obligation until such Obligation will be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Moneys held in the Gross Receipts Revenue Fund will be invested in Government Obligations, which mature or are redeemable at the option of the holder not later than such times as will be required to provide moneys needed to make the payments or transfers therefrom. Subject to the foregoing, such investments will be made in accordance with a certificate of the Obligated Group Representative directing the Master Trustee to make specific investments. Unless otherwise provided in the Master Trust Indenture, the Master Trustee will sell or present for redemption, any Government Obligation so acquired whenever instructed to do so pursuant to an Officer's Certificate or whenever it will be necessary to do so to provide moneys to make payments or transfers from the Gross Receipts Revenue Fund. The Master Trustee will not be liable or responsible for making any such investment in the manner provided above and will not be liable for any loss resulting from any such investment. Any investment income derived from any investment of moneys on deposit in the Gross Receipts Revenue Fund will be credited to the Gross Receipts Revenue Fund and retained therein until applied to approved purposes.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining will be paid to the Person entitled to receive the same; if no other Person will be entitled thereto, then the balance will be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

Holders' Control of Proceedings (Section 4.07)

If an Event of Default will have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Trust Indenture or for the appointment of a receiver or any other proceedings under the Master Trust Indenture, provided that such direction is not in conflict with any applicable law or the provisions of the Master Trust Indenture, and is not unduly prejudicial to the interest of any Holders not

joining in such direction, and provided further, that the Master Trustee will have the right to decline to follow any such direction if the Master Trustee in good faith will determine that the proceeding so directed would involve it in personal liability, in the sole judgment of the Master Trustee, and provided further that nothing in this Section will impair the right of the Master Trustee in its discretion to take any other action under the Master Trust Indenture which it may deem proper and which is not inconsistent with such direction by the Holders provided, further, however, that the Credit Facility Issuer, if any, with regard to any series of Obligations or any series of Related Bonds secured by Obligations, and not the Holders, will have the right to control proceedings with respect thereto in the manner described in this Section.

Waiver of Event of Default (Section 4.09)

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by the Article of the Master Trust Indenture relating to Events of Default to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds may waive any Event of Default which in its opinion will have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Master Trust Indenture, or before the completion of the enforcement of any other remedy thereunder.

(c) Notwithstanding anything contained in the Master Trust Indenture to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, with the consent of the Credit Facility Issuer, if any, of any affected Obligations or Related Bonds, will waive any Event of Default under the Master Trust Indenture and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of the section captioned "Acceleration; Annulment of Acceleration" herein, a default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same will become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default under the Master Trust Indenture, the Members of the Obligated Group, the Master Trustee and the Holders will be restored to their former positions and rights thereunder, respectively, but no such waiver will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Appointment of Receiver (Section 4.10)

Upon the occurrence of any Event of Default, unless the same shall have been waived as provided in the Master Trust Indenture, the Master Trustee shall be entitled as a matter of right if it shall so elect, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance of the Master Trust Indenture or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment will confer. Each Member of the Obligated Group, respectively, consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Notice of Default (Section 4.12)

The Master Trustee will, within 10 days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default will have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) under the heading “Events of Default”, the Master Trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

Removal and Resignation of the Master Trustee (Section 5.04)

The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default will have occurred and be continuing, by an instrument in writing signed by the Obligated Group Representative. No such resignation or removal will become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created by the Master Trust Indenture. Written notice of such resignation or removal will be given to the Members of the Obligated Group and to each Holder by first class mail at the address then reflected on the books of the Master Trustee and such resignation or removal will take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or, if no such appointment is made by the Obligated Group Representative within 30 days of the date notice of resignation or removal is given, the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within 60 days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee will be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed under the Master Trust Indenture will execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment under the Master Trust Indenture, and thereupon such successor Master Trustee, without further action, will become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor will execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee will execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee will promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than 10 days after its assumption of the duties under the Master Trust Indenture, will mail a notice of such assumption to each registered Holder.

Supplements Not Requiring Consent of Holders (Section 6.01)

Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders enter into one or more Supplements for one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Master Trust Indenture.
- (b) To correct or supplement any provision in the Master Trust Indenture which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Master Trust Indenture and which will not materially and adversely affect the interests of the Holders.
- (c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of the Master Trust Indenture.
- (d) To qualify the Master Trust Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.
- (e) To create and provide for the issuance of Indebtedness or the entry into a Derivative Agreement (including, in either case, the issuance of an Obligation in respect thereof) as permitted under the Master Trust Indenture, so long as no Event of Default has occurred and is continuing thereunder.
- (f) To obligate a successor to any Member of the Obligated Group as provided in the provisions described under the heading “Parties Becoming Members of the Obligated Group”.
- (g) To comply with the provisions of any federal or state securities law.
- (h) So long as no Event of Default has occurred and is continuing under the Master Trust Indenture and so long as no event which with notice or the passage of time or both would become an Event of Default under the Master Trust Indenture has occurred and is continuing, to make any change to the provisions of the Master Trust Indenture (except as set forth below) if the following conditions are met:
 - (i) the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect either (A)(1) a Consultant’s report to the effect that the proposed amendment is consistent with then current industry standards for comparable institutions and (2) an Officer’s Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 consecutive calendar months preceding the date of delivery of the report for which there are Audited Consolidated Financial Statements available was at least 1.75; or (B) evidence satisfactory to the Master Trustee to the effect that (i) there exists for each Related Bond or Obligation, which is not pledged to secure Related Bonds, credit enhancement consisting of a surety bond, insurance policy, letter of credit or other form of credit enhancement from a financial institution generally regarded as responsible (in each case which is irrevocable and will remain in full force and effect for the entire period of time each such Related Bond or Obligation, as the case may be, remains outstanding and provides for payment in full of principal and interest on such Related Bond or Obligation when due) or the Obligated Group has delivered, respectively, to each Related Bond Trustee for each outstanding Related Bond, each trustee for any outstanding Obligation which is not pledged to secure Related Bonds and each Holder of an outstanding Obligation which is not pledged to secure Related Bonds and with respect to which there is no trustee, credit enhancement of the types described above in this subsection, and (ii) evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed change is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than the rating applicable to such Related Bond or Obligation on the day prior to the effective date of such change; and
 - (ii) if any series of Obligations or Related Bonds are rated based on credit enhancement of such Obligations or Related Bonds (whether in the form of a financial guaranty insurance policy, letter of credit, surety bond or otherwise) and not on the underlying credit of the Obligated Group, the issuer of such credit enhancement will consent in writing to such amendment or modification; and

(iii) with respect to each outstanding Related Bond, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Bond would otherwise be entitled;

provided, however, that no amendment will be made pursuant to this clause (h) which would have the effect, directly or indirectly, of changing or providing an alternative to (1) any provision of the Master Trust Indenture requiring the maintenance or demonstration of a Long-Term Debt Service Coverage Ratio, except to reduce such ratio, but in no event will such ratio be reduced to less than 1.10 (or less than 1.00 if Governmental Restrictions make it impossible for a Long-Term Debt Service Coverage Ratio, of at least 1.10 to be maintained or demonstrated), (2) the definition of any term used in the calculation of the Long-Term Debt Service Coverage Ratio, or the amount of Long-Term Indebtedness or Short-Term Indebtedness, or the definitions of Affiliate, Audited Consolidated Financial Statements, Book Value, Non-Recourse Indebtedness, Operating Assets, Property, Plant and Equipment or Total Operating Revenues, or (3) Sections 3.01, 3.02(a), 3.05(b)(xii), 3.05(b)(xvi), 3.05(b)(xvii), 3.06(a)(i)(A), 3.08(a)(ii), 3.08(a)(iii), 3.09, 3.11, 3.12, 4.01 through 4.12, inclusive, 5.04, 6.01(h), 6.02(a), 7.01 or 8.02 of the Master Trust Indenture.

(i) To make any changes to the Master Trust Indenture in the event the Obligated Group Representative determines that a change in generally accepted accounting principles will create a lasting impediment upon the Members of the Obligated Group's ability to comply with the provisions of any quantitative financial provisions or requirements of the Master Trust Indenture, which changes to the Master Trust Indenture relate to any such quantitative provisions or requirements and the related definitions upon which the calculations included in such provisions or requirements are based, to provide for similar financial and economic measures of the performance of the Members of the Obligated Group, but only with the prior written consent of certain Credit Facility Issuers.

Supplements Requiring Consent of Holders (*Section 6.02*)

(a) Other than Supplements referred to under the heading "Supplements Not Requiring Consent of Holders" and subject to the terms and provisions and limitations contained in the Article of the Master Trust Indenture relating to amendments and supplements to the Master Trust Indenture and not otherwise, the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding will have the right, with consent of each Credit Facility Issuer insuring Obligations or Related Bonds, from time to time, anything contained in the Master Trust Indenture to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Trustee of such Supplements as will be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Trust Indenture; provided, however, nothing in this Section will permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Except as otherwise permitted in the Master Trust Indenture or an existing Supplement, permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time each Member of the Obligated Group will request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its

Governing Body certified by its secretary or assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement and if the Master Trustee receives an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) of this Section for the Supplement in question which instrument or instruments will refer to the proposed Supplement and will specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder will have consented thereto.

(c) Any such consent will be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by the Master Trust Indenture. At any time after the Holders of the required principal amount or number of Obligations will have filed their consents to the Supplement, the Master Trustee will make and file with each Member of the Obligated Group a written statement to that effect. Such written statement will be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding will have consented to and approved the execution of such Supplement as provided in the Master Trust Indenture, no Holder will have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

Satisfaction and Discharge of Indenture (*Section 7.01*)

If (i) the Obligated Group Representative will deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which will have been mutilated, destroyed, lost or stolen and which will have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation will have become due and payable and money sufficient to pay the same will have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation will be Defeased Obligations, and if in all cases the Members of the Obligated Group will also pay or cause to be paid all other sums payable under the Master Trust Indenture by the Members of the Obligated Group or any thereof, then the Master Trust Indenture will cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, will execute proper instruments acknowledging satisfaction of and discharging the Master Trust Indenture. Each Member of the Obligated Group, respectively, agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Trust Indenture or such Obligations.

Evidence of Acts of Holders (*Section 8.01*)

Except as otherwise provided in a Related Bond Indenture, in the event that any request, direction or consent is requested or permitted under the Master Trust Indenture of the Holders of any Obligation securing an issue of Related Bonds, (i) each Related Bond Issuer shall be deemed to be such Holder for the purpose of any such request, direction or consent, or (ii) in the event such series of Related Bonds or Obligation is secured by a Credit Facility, so long as the issuer of such Credit Facility is not then in default on its obligations under such Credit Facility, the Credit Facility Issuer shall be deemed to be the Holder of such Obligation or Obligations pledged as security for such Related Bonds.

APPENDIX G

THE SPRINGING AMENDMENTS TO THE MASTER TRUST INDENTURE

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**THE SPRINGING AMENDMENTS TO THE
NORTHWELL MASTER TRUST INDENTURE**

The springing amendments to the Northwell Master Trust Indenture (all, some or none of which may become effective in the future, as described in the forepart of this offering document) would be as follows (with deletions being evidenced by a strikethrough and additions being underlined):

1. **New Definitions.** The following definitions would be added to Section 1.01 of the Master Indenture:

“Bond Index” means, at the option of the Obligated Group Representative as directed by an Officer’s Certificate, either (i) the average rate on the Indebtedness in question during any twelve-month period ending within thirty (30) days prior to the date of calculation (or such lesser time period as such Indebtedness has been Outstanding), (ii) the average rate of a comparable variable rate interest index during any twelve-month period ending within thirty (30) days prior to the date of calculation (or such lesser time period as such comparable index has been determined), (iii) the 30-year Revenue Bond Index published most recently by The Bond Buyer, or a comparable index if such Revenue Bond Index is not so published, (iv) the SIFMA Index, or (v) such other interest rate or interest index as may be certified in writing to the Master Trustee as appropriate to the situation by the Obligated Group Representative.

“SIFMA” means the Securities Industry and Financial Markets Association, any successor thereto, or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Obligated Group Representative.

“SIFMA Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations (the SIFMA Municipal Swap Index), as produced by Municipal Market Data and published or made available by SIFMA, or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Obligated Group Representative, and effective from such date.

“Transaction Test” means the Master Trustee shall have received any one of the following:

(i) an Officer’s Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available, assuming that the proposed additional Long-Term Indebtedness had been incurred, or that the proposed transaction had occurred, at the beginning of the most recent twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available, is not less than 1.10; or

(ii) an Officer’s Certificate demonstrating (a) that the Long-Term Debt Service Coverage Ratio for the most recent twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available was not less than 1.10, and (b) that the Long-Term Debt Service Coverage Ratio for each of the two full Fiscal Years following the computation then being made, or if later, following the estimated date of completion of the capital improvements or expenditures, if any, then being financed, is projected to be not less than 1.10 or, if less than 1.10 but at least 1.00, is projected to be greater than such ratio would have been if the proposed transaction had not taken place; or

(iii) an Officer’s Certificate demonstrating that immediately after the proposed transaction the aggregate principal amount of all outstanding Long-Term Indebtedness of the Members of the Obligated Group (excluding any Guaranty) will not exceed sixty-five percent (65%) of the sum of (a) the aggregate principal amount of all outstanding Long-Term

Indebtedness of the Members of the Obligated Group (excluding any Guaranty) plus (b) the aggregate net assets of the Members of the Obligated Group.

2. **Amended Definition — Balloon Long-Term Indebtedness.** The definition of “Balloon Long-Term Indebtedness” in Section 1.01 of the Master Indenture would be amended to change the reference to “25%” therein to “15%”, as follows:

“Balloon Long-Term Indebtedness” means Long-Term Indebtedness other than a Demand Obligation ~~25%~~ 15% or more of the principal amount of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

3. **Amended Definition — Days Cash on Hand.** The definition of “Days Cash on Hand” in the Master Indenture would be amended, as follows:

“Days Cash On Hand” means, for purposes of Sections 18 and 19 of the Series 2011 Supplemental Indenture, for the Obligated Group, as of any date, the product of 365 times or ~~180~~ 183 times, as the case may be, (i) the unrestricted cash and cash equivalents plus unrestricted ~~marketable~~ securities and other unrestricted investments (in accordance with generally accepted accounting principles) as reflected in the financial statements of the Obligated Group as derived from the Audited Consolidated Financial Statements of the Health System, at December 31, and as reflected in the unaudited interim consolidated financial statements of the Obligated Group as derived from the unaudited financial statements of the Health System, at June 30, in each case plus board and management designated assets and interest funds in any trusteed funds which are to be applied to the current year’s interest expense, divided by (ii) the operating and non-operating expenses of the Obligated Group for the twelve or six months, as the case may be, 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.

4. **Amended Definition — Long-Term Debt Service Requirement.** Clause (a) of Paragraph (i) of the definition of “Long-Term Debt Service Requirement” in the Master Indenture, relating to Balloon Long-Term Indebtedness, would be amended, as follows:

“Long-Term Debt Service Requirement” means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account:

(i) ~~with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation~~ the amount of principal which would be payable in such period if such principal were amortized from the date of such calculation over a period of the longer of (I) thirty (30) years or (II) the remaining period to the final maturity of such Balloon Long-Term Indebtedness, in each case on a level debt service basis, and at an interest rate, at the option of the Obligated Group Representative, equal to either the actual rate borne by such Indebtedness on the date calculated, or an interest rate derived from the Bond Index, as such interest rate in either case may be determined by an Officer’s Certificate (in addition, the calculation of the Long-Term Debt Service Requirement for Outstanding Balloon Long-Term Indebtedness may be further adjusted upon delivery to the Master Trustee of (A) an Officer’s Certificate, dated within 90 days prior to the date of calculation of the Long-Term Debt Service Requirement, stating that financing of a stated term (which shall not extend beyond 30 years after such date of calculation), amortization, and interest rate of Outstanding Balloon Long-Term Indebtedness is reasonably attainable by the Obligated Group to refund or otherwise directly or

indirectly to refinance any amount of such Balloon Long-Term Indebtedness, in which case the principal of and premium, if any, and interest and other debt service charges on the amount of such Outstanding Balloon Long-Term Indebtedness so certified to be refundable or refinanceable (whether or not any such refunding or refinancing is imminent) shall be excluded from the calculation of the Long-Term Debt Service Requirement and the principal of and premium, if any, and interest and other debt service charges (which need not be based upon level annual debt service) on the theoretical refunding or refinancing Indebtedness as so certified which would result from such theoretical refunding or refinancing if incurred on the first day of the Fiscal Year for which the Long-Term Debt Service Requirement is being calculated, shall be added to the calculation of such Long-Term Debt Service Requirement; and (B) an Officer's Certificate, accompanied by a written consent or agreement of the obligor on such Balloon Long-Term Indebtedness agreeing to retire (and such Balloon Long-Term Indebtedness shall permit the retirement of), or to fund a sinking fund or escrow for, the principal of such Balloon Long-Term Indebtedness according to a fixed schedule stated in such consent or agreement ending on or before the Fiscal Year in which such amount is due or could become due or payable in respect of any required purchase or maturity of such Balloon Long-Term Indebtedness, in which case the principal of (and, in the case of retirement, the premium, if any, and interest and other debt service charges on) such Balloon Long-Term Indebtedness shall be computed as if the same were due in accordance with such fixed schedule; provided that this clause (B) shall only be applicable to Outstanding Balloon Long-Term Indebtedness for which the installments of principal previously scheduled have been paid or funded on or before the times required by such previous schedule); or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated at least "A" by Moody's, Fitch or S&P, or insured by an insurance policy issued by any insurance company rated at least "A" by Alfred M. Best Company or its successors in Best's Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan or reimbursement agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan or reimbursement agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above;

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility shall not be included in the Long-Term Debt Service Requirement;

(iv) with respect to any guaranties, in accordance with the Definition of "Guaranty" in Section 1.01 hereof;

(v) with respect to Indebtedness for which a Member of the Obligated Group shall have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness, the principal or notional amount of such Derivative Agreement shall be disregarded, and interest on such Indebtedness during any Derivative Period and for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such underlying Indebtedness pursuant to its terms (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued), and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence

thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement), and subtracting (z) the amount of interest payable by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement); *provided, however*, that to the extent that the counterparty of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed; and

(vi) with respect to a Derivative Agreement that does not relate to underlying Indebtedness which has been entered into by any Member of the Obligated Group, the principal or notional amount of such Derivative Agreement shall be disregarded (for so long as the Member of the Obligated Group is not required to make any payment other than interest payments thereon) and interest on such Derivative Agreement during any Derivative Period, for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder, shall be calculated by taking (y) the amount of interest payable by such Member of the Obligated Group at the rate specified in the Derivative Agreement and subtracting (z) the amount of interest payable by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement;

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement; provided, further, however, that in connection with the calculation of “Long-Term Debt Service Requirement”, in no event shall any payments to be made in respect of principal and/or interest on any Outstanding Long-Term Indebtedness of the Obligated Group during such period be counted more than once.

5. **Accounting Changes and Flexibility.** A new Section 1.03 would be added to the Master Indenture, as follows:

Section 1.03. Accounting Principles and Financial Reporting. (a) All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistently applied, except as otherwise stated herein. 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 any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, then, notwithstanding any other provision to the contrary in this Master Indenture requiring that generally accepted accounting principles be consistently applied, such determination or computation shall be done in accordance with generally accepted accounting principles in effect on, at the sole option of the Obligated Group Representative, (i) the date such determination or computation is made for any purpose of this Master Indenture, (ii) September 1, 2017, or (iii) the date that this Section 1.03 becomes effective if the Obligated Group Representative delivers an Officer’s Certificate to the Master Trustee explaining the basis for such treatment; provided that intercompany balances and liabilities among the Members of the Obligated Group shall be disregarded.

(b) Notwithstanding anything else in this Master Indenture to the contrary, in addition to those provisions of this Master Indenture which expressly permit the use of financial or other information on the basis of the Health System, in computing or calculating Balloon Long-Term Indebtedness, Book Value, Days Cash on Hand, Income Available for Debt Service, Indebtedness, Long-Term Debt Service Coverage Ratio, Long-Term Debt Service Requirement, Maximum Annual Debt Service, Operating Assets, Property, Plant and Equipment, Total Operating Revenues, Transaction Test or any other quantitative financial test or provision, the Obligated Group, at the option of the Obligated Group Representative, may, unless the context specifically requires otherwise, utilize financial and other information either (i) with respect to the Members of the Obligated Group in the aggregate or (ii), so long as the Obligated Group constitutes or is responsible for at least eighty percent (80%) of the assets or revenues of the Health System for the most recent Fiscal Year of the Health System, with respect to the Health System in the aggregate, with such percentage being calculated in a manner that excludes intercompany eliminations from the numerator of such calculation.

(c) The Members of the Obligated Group shall not be required to have the same Fiscal Year, and calculations of covenants in this Master Indenture may be made based upon any such differing Fiscal Years in the event that Members of the Obligated Group have differing Fiscal Years, notwithstanding anything to the contrary in this Master Indenture or in the definition of Fiscal Year in Section 1.01 of this Master Indenture.

(d) The provisions of this Section 1.03 shall be applicable and effective notwithstanding the provisions of Section 1.02(c), (f) and (g) hereof.

6. **Permitted Liens.** Section 3.05 of the Master Indenture, relating to Permitted Liens, would be amended by adding new Paragraphs (b)(xxi), (xxii) and (xxiii) thereto, and by amending Paragraph (ix) and (x) thereto, as follows:

Section 3.05. **Limitations on Creation of Liens.** (a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or anybody created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 180 days; and (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof.

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under this Master Indenture, which is set forth on Schedule A attached hereto, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(vi) Any Liens of a new Member or a successor to an existing Member that is permitted to remain outstanding after such new Member or successor becomes a Member of the Obligated Group pursuant to Sections 3.09(e) or 3.11(e) hereof;

(vii) Any Lien securing Non-Recourse Indebtedness permitted by Section 3.06(d) hereof;

(viii) Any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of Section 3.06 hereof, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations hereof on creation of Liens on Property of the Obligated Group;

(ix) ~~So long as no Event of Default exists under this Master Indenture,~~ Any Lien on accounts receivable and the proceeds from the sale thereof securing Indebtedness or Derivative Agreements, which conforms to the limitations contained in Section 3.06;

(x) Any Lien on Property which secures Indebtedness or Derivative Agreements or any other obligations or liabilities of a Member of the Obligated Group that do not exceed the greater of (i) in aggregate 20% of Total Operating Revenue or (ii) in aggregate 20% of the combined Book Value of the Property of the Obligated Group, in either case as reflected in the most recent Audited Consolidated Financial Statements of the Obligated Group;

(xi) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(xii) Any Lien in favor of a trustee or other agent on the proceeds of Indebtedness and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding or defeasing Indebtedness;

(xiii) Any Lien securing all Obligations on a parity basis;

(xiv) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xv) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xvi) Liens on those items described in, or the right to receive the items described in, clauses (x), (y) and (z) of the definition of Gross Receipts in Section 1.01 hereof;

(xvii) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group;

(xviii) Any Lien created in the Related Loan Agreements;

(xix) The Mortgages; ~~and~~

(xx) Any Lien on Excluded Property;

(xxi) Any Lien securing any Derivative Agreement or the obligations of any one or more Members of the Obligated Group under any Derivative Agreement, in each case which

Derivative Agreement is related to Indebtedness (including any obligation arising upon the termination of any such Derivative Agreement), or that may be required from time to time to satisfy any collateralization requirements under any such Derivative Agreement;

(xxii) Any Lien in the nature of a bankers' lien or rights of set-off; and

(xxiii) Any Lien in favor of any members of, or participants in, an accountable care organization or similar arrangement to which a Member of the Obligated Group is a member or participant.

7. **Permitted Debt.** Section 3.06 of the Master Indenture, relating to Additional Indebtedness, would be amended by deleting a proviso in Paragraph (c) thereof, as follows:

Section 3.06. Limitations on Indebtedness. Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to any one of subsections (a) to (g) inclusive, of this Section 3.06. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections. Each Member of the Obligated Group further covenants and agrees that it will not incur any Additional Indebtedness without the written consent of the Obligated Group Representative, as evidenced by an Officer's Certificate to be delivered to the Master Trustee prior to the incurrence of such Additional Indebtedness in accordance with the requirements of Section 2.01 hereof, and a certified resolution of the Governing Board of such Member of the Obligated Group.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Obligated Group Representative certifying that:

(A) The cumulative principal amount of all Long-Term Indebtedness incurred pursuant to this subsection 3.06(a)(i)(A) does not exceed 20% of Total Operating Revenues, or

(B) The Long-Term Debt Service Coverage Ratio for the most recent twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available, taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.20; or

(ii) (1) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available, excluding the proposed Long-Term Indebtedness, is at least 1.20 and (2) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.20 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two full Fiscal Years succeeding the date on which such capital improvements are forecasted to be in operation or (y) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; provided, however, that compliance with the tests set forth in this Section 3.06(a)(ii) may be evidenced by a certificate of the Obligated Group Representative in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in this Section 3.06(a)(ii)(2) is equal to or greater than 1.50; provided, however, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then

such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness may be incurred if, prior to the incurrence of such Long-Term Indebtedness, (i) the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness, and there is delivered to the Master Trustee (A) an Officer's Certificate of the Obligated Group Representative demonstrating that Maximum Annual Debt Service will not increase by more than 15% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Counsel stating that upon the incurrence of such Proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii) the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, and there is delivered to the Master Trustee a certificate of the Obligated Group Representative stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Related Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 15%.

(c) Short-Term Indebtedness may be incurred in the ordinary course of business subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed 20% of Total Operating Revenues as reflected in the Audited Consolidated Financial Statements of the Obligated Group for the most recent period of twelve consecutive months for which Audited Consolidated Financial Statements are available; provided, ~~however, if Related Bonds issued by the Authority are Outstanding, the Obligated Group must first obtain the written consent of the Authority prior to issuing Short Term Indebtedness in excess of 15% of Total Operating Revenues for the most recent period of twelve consecutive months for which Audited Consolidated Financial Statements are available; and provided further~~ that there shall be a period of at least 30 consecutive calendar days during each such period of twelve consecutive calendar months for which Audited Consolidated Financial Statements are available during which Short-Term Indebtedness shall not exceed 5% of Total Operating Revenues. For purposes of this Section 3.06(c), a Guaranty of Short-Term Indebtedness shall be valued at 20% of the aggregate principal amount of the Short-Term Indebtedness guaranteed so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles; provided that in the event such Guaranty shall be drawn upon, such Guaranty shall be valued at 100% of the aggregate principal amount of the Short-Term Indebtedness guaranteed. For the purpose of calculating compliance with the tests set for in this subsection 3.06(c), Short-Term Indebtedness secured by accounts receivable shall not be taken into account except to the extent provided in subsection 3.06(f) hereof.

(d) Non-Recourse Indebtedness may be incurred without limit.

(e) Subordinated Debt may be incurred without limit.

(f) Short-Term Indebtedness secured by accounts receivable may be incurred within the limitations imposed on the pledge or sale of accounts receivable, as provided in the last paragraph of this Section 3.06; provided that at the time of incurrence, the outstanding principal amount of such Short-Term Indebtedness is less than or equal to the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness. At any time that the outstanding principal amount of such Short-Term Indebtedness is greater than the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness, the excess amount shall be treated as Short-Term Indebtedness for the purposes of the tests set forth in subsection 3.06(c) hereof.

(g) Indebtedness may be incurred in an amount limited to the cost of completion for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there shall be delivered to the Master Trustee (i) a certificate of the Obligated Group Representative to the effect that the Obligated Group Representative did reasonably expect at the time the initial Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the Capital Addition, (ii) a licensed architect's or licensed engineer's certificate to the effect that the proceeds of such additional Indebtedness will be sufficient to complete the Capital

Addition and (iii) the amount of such Indebtedness is limited to the costs identified in (i) above plus necessary reserves and costs related to issuance of such Indebtedness.

Indebtedness incurred pursuant to any one of subsections (a)(i) of this Section 3.06 may be reclassified as Indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a “put” or “tender” provision pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity shall not be considered Balloon Long-Term Indebtedness, solely by reason of such “put” or “tender” provision, and the put or tender provision shall not be taken into account in testing compliance with any debt incurrence test pursuant to this Section 3.06.

Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance herewith in an aggregate amount not exceeding 75% of the three month average outstanding accounts receivable of the Obligated Group that are ninety days old or less as calculated in accordance with generally accepted accounting principles. The three month average shall be calculated based on the month end available balances for the three full calendar months immediately preceding the date on which such accounts receivable are sold, pledged, assigned or otherwise disposed or encumbered. Accounts receivable that are more than ninety days old may not be sold, pledged, assigned or otherwise disposed or encumbered.

8. **Additional Permitted Dispositions.** Section 3.08 of the Master Indenture, relating to dispositions, would be amended by adding two new Paragraphs (a)(vii) and (a)(viii) thereto, as follows:

Section 3.08. Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Unsecured Loans to Non-Members; Sale of Accounts. (a) Each Member of the Obligated Group agrees that it will not transfer Property in any Fiscal Year (or other 12-month period for which Audited Consolidated Financial Statements are available) except for Transfers of Property:

(i) To any Person provided such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property.

(ii) To another Member of the Obligated Group without limit.

(iii) To any Person provided there shall be delivered to the Master Trustee prior to such Transfer an Officer’s Certificate certifying that the Obligated Group is in compliance with Section 3.07 hereof and the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer’s Certificate for which the Audited Consolidated Financial Statements have been reported upon by independent certified public accountants (which period of twelve (12) full consecutive months shall have ended not more than eighteen (18) calendar months prior to the date of the Officer’s Certificate) and such Long-Term Debt Service Coverage Ratio is not less than 1.20 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place.

(iv) To any Person if the aggregate Book Value of the Property Transferred pursuant to this subsection (iv) in the current Fiscal Year does not exceed 10% of the Book Value of all Property of the Obligated Group as shown in the Audited Consolidated Financial Statements for the most recent Fiscal Year.

(v) To any Person if the Property Transferred pursuant to this subsection (v) was transferred in the ordinary course of business, and at fair and reasonable terms, no less favorable to the Member of the Obligated Group, which could have been attained in a comparable arms-length transaction; *provided further, however*, that the proceeds from such Property Transferred are used to acquire Property, used to repay Indebtedness, or used for any other corporate purpose of a Member or Members.

(vi) To a Person which at the time of the Transfer is not a Member of the Obligated Group or successor corporation pursuant to a merger or consolidation permitted by the Master Indenture, without limit, if such Person or successor corporation shall, at the time of such Transfer, become a Member of the Obligated Group pursuant to the Master Indenture.

(vii) To any affiliated physician or medical group practice provided that such transfer is used solely to subsidize or support salary and benefits of physician employees and ordinary course operating expenses of such group practice.

(viii) To any self-insurance trust or captive insurance company.

(b) Any Member of the Obligated Group will have the right to sell, pledge, assign or otherwise dispose of its accounts receivable, with or without recourse, if such Member of the Obligated Group shall receive as consideration for such sale, pledge, assignment or other disposition cash, services or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group and if such sale, pledge, assignment or other disposition meets the limitations contained in the last paragraph of Section 3.06 hereof regarding the aggregate limit on the pledge, sale or other disposition or encumbrance of accounts receivable.

(c) Nothing contained in this Section 3.08 is intended to prohibit the Transfer of Property, including cash, for payment of goods and services in the ordinary course of business of, or for the acquisition of Property by, the Members of the Obligated Group.

9. **Allowing As-of-Right Mergers Between Obligated Group Members.** Section 3.09 of the Master Indenture would be amended by adding a new proviso at the end of Paragraph (a)(iv) thereof, as follows:

Section 3.09. Consolidation; Merger; Sale or Conveyance. (a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under this Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Master Indenture and any Supplement hereto; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of this Master Indenture; and

(iii) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating that (A) if such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Consolidated Financial Statements are available, the Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.10, (B) if such merger, consolidation or sale of assets had occurred

at the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Consolidated Financial Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen calendar months prior to the date of the Officer's Certificate), the conditions described in Section 3.06(a)(i)(B) hereof would have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, and (C) the unrestricted net assets plus temporarily restricted net assets of the successor, resulting or acquiring corporation, as the case may be, after giving effect to said merger or consolidation, or sale or conveyance of assets is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Member of the Obligated Group which was merged into, consolidated with or whose assets were acquired by, such successor corporation as reflected in the most recent Audited Consolidated Financial Statements; provided, however, that the provisions of this subparagraph (iv) shall not be required to be satisfied if the merger or consolidation is only between or among Members of the Obligated Group.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such predecessor or had become a Member of the Obligated Group pursuant to Section 3.11 hereof, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable hereunder; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in this Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation hereunder shall in all respects have the same security position and benefit under this Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of this Master Indenture as though all of such Obligations had been issued hereunder without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under this Master Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subparagraph (a)(iv) hereof has been delivered, the Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VI and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

(e) Any Indebtedness previously incurred by the Person or successor corporation becoming a Member of the Obligated Group pursuant to this Section 3.09 shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect if such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 hereof immediately after such Person or successor corporation became a Member of the Obligated Group.

(f) All references herein to successor corporations shall be deemed to include the surviving corporation in a merger.

10. **Fiscal Year.** The provisions of Section 3.11(a)(ii) of the Master Indenture, which reads "(ii) to adopt the same Fiscal Year as that of the Members of the Obligated Group", would be deleted, as follows:

Section 3.11. Parties Becoming Members of the Obligated Group. Persons which are not Members of the Obligated Group and corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted by Section 3.09 hereof may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee

containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under this Master Indenture and any Supplements and thereby become subject to compliance with all provisions of this Master Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, ~~(ii) to adopt the same Fiscal Year as that of the Members of the Obligated Group~~ and (ii) unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, each Related Bond Issuer and each Related Credit Facility Issuer, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances and that the obligations of such Person or successor corporation created thereunder include the requirements described in subsection (a).

(c) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there shall be filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of any Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(d) An Officer's Certificate of the Obligated Group Representative shall be provided to the Master Trustee demonstrating that (i) after giving effect to the admission of such Person as a Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of such Person and the unrestricted net assets plus temporarily restricted net assets of the Obligated Group is not less than 80% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person shall become a member of the Obligated Group, and (ii) the conditions described in Section 3.06(a)(i)(B) hereof have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, assuming that the Person or corporation which is becoming a Member of the Obligated Group had become a Member at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Consolidated Financial Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen (18) calendar months prior to the date of the Officer's Certificate).

(e) Any Indebtedness previously incurred by a new Member of the Obligated Group shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect if such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 hereof immediately after such Person became a Member of the Obligated Group.

11. **Allowing Elimination of Mortgages.** Section 3.13 of the Master Indenture would be amended by adding a new Paragraph (e) thereto, as follows:

Section 3.13. **Permitted Releases and Permitted Modifications with Respect to the Mortgages.**

(a) The Mortgages have been assigned or granted to the Master Trustee as additional security for all Obligations issued and to be issued under the Master Indenture. The Members of the Obligated Group covenant that except for Permitted Releases described in paragraph (b) of this Section 3.13 (which Permitted Releases shall also include a release to implement a sale and leaseback of a portion of the Mortgaged Property), the Members of the Obligated Group shall not release or allow the release of any of the Mortgaged Property encumbered by the Mortgages from the Lien of such Mortgages. The Members of the Obligated Group also covenant that, except for Permitted

Modifications described in paragraph (c) of this Section 3.13, the Members of the Obligated Group shall not modify or amend any of the Mortgages.

(b) Permitted Releases shall include only the following:

(1) a release made with respect to a portion of the Mortgaged Property that is to be disposed of in conjunction with a Transfer of Property permitted under Section 3.08 of this Master Indenture (other than Section 3.08(a)(ii)); provided that (i) no such release shall be with respect to the primary healthcare facilities of any Member of the Obligated Group (primary healthcare facilities being any premises that include a building containing more than fifty (50) acute care inpatient beds that are licensed to any Member of the Obligated Group); (ii) any such release shall not, as determined in an Officer's Certificate of the Obligated Group Representative delivered to the Master Trustee and the Authority, impair the ability of the applicable Member of the Obligated Group to perform its functions as a Health Care Facility; and (iii) if the portion of the Mortgaged Property to be released was financed or refinanced with the proceeds of Related Bonds, there is delivered to the Master Trustee and the Authority an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such release, in and of itself, would not adversely affect the exclusion of interest payable on such Related Bonds from the gross income of the holder thereof for purposes of federal income taxation; or

(2) a release made with respect to a portion of the Mortgaged Property of a Member upon the withdrawal of such Member from the Obligated Group in accordance with Section 3.12 of this Master Indenture; provided that any Related Bonds issued for the benefit of, or the proceeds of which were used at facilities of, such withdrawing Member have been redeemed, defeased or discharged at or prior to the date of such Member's withdrawal from the Obligated Group; or

(3) a release made with respect to a portion of the Mortgaged Property, so long as such portion constitutes Excluded Property; or

(4) a release made with respect to any portion of the Mortgaged Property so long as a Mortgage is granted to the Master Trustee on additional Property (to be added as additional Mortgaged Property), which additional Property is to be used by the Obligated Group to provide clinical services, or to provide support for clinical services, at the Health Care Facilities of one or more Members of the Obligated Group, and which additional Property has an appraised value equal to or greater than the appraised value of the portion of the Mortgaged Property being released; provided, however, that such substituted Property 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); provided further, however, that any grant of a Mortgage on any 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; or

(5) a release made with respect to machinery, equipment, fixtures or other personal property located on the Mortgaged Property if such property would be eligible to be disposed of pursuant to the provisions of Section 3.08(a) of the Master Indenture, or in order to implement a permitted financing or a sale and leaseback with respect to such machinery, equipment, fixtures or other personal property, or a sale and leaseback with respect to a portion of the Mortgaged Property; or

(6) a release made with respect to a portion of the Mortgaged Property, but only with the prior written consent of the Authority.

(c) Permitted Modifications shall include only the following:

(1) a modification or amendment to a Mortgage to cure any ambiguity or formal defect or omission therein; or

(2) a modification or amendment to a Mortgage to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other modifications or amendments with respect to matters or questions arising under such Mortgage which shall not materially and adversely affect the interests of the Holders; or

(3) a modification or amendment to a Mortgage to grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon the Holders; or

(4) a modification or amendment to a Mortgage to make any necessary or appropriate changes to reflect the issuance of additional Obligations in accordance with the provisions of Section 3.06 of this Master Indenture; or

(5) a modification or amendment to a Mortgage, or a consent with respect thereto, to implement any necessary or appropriate changes to reflect matters relating to zoning, land use, environmental and other real property laws, ordinances, rules or regulations that in substance do not alter the security provided pursuant to such Mortgage or that shall not materially and adversely affect the interests of the Holders; or

(6) a modification or amendment to a Mortgage covering a portion of the Mortgaged Property so long as such portion constitutes Excluded Property; or

(7) a modification or amendment to a Mortgage, but only with the prior written consent of the Authority.

(d) The Master Trustee, at the direction of the Obligated Group Representative as set forth in an Officer's Certificate, shall cooperate with the Obligated Group and execute any and all documents or instruments in order to promptly implement any such Permitted Release or Permitted Modification. In addition, the Master Trustee, at the direction of the Obligated Group Representative as set forth in an Officer's Certificate, shall grant such consents and approvals, and shall subordinate the Lien on a portion of the Mortgaged Property to such easements or other non-monetary encumbrances, as a Member of the Obligated Group may from time to time request; provided that any such action does not materially impair the Lien of the applicable Mortgage on the Mortgaged Property nor materially diminish the value or utility of the Mortgaged Property.

(e) Notwithstanding any other provisions in this Master Indenture, any Supplement, or any Obligation relating to the Mortgages or the release or amendments thereof, the Master Trustee shall release and discharge all or any of the Mortgages upon the written direction of the Obligated Group Representative. Promptly upon receipt by the Master Trustee of such written direction, the Master Trustee shall, as directed by the Obligated Group Representative, take such action as may be necessary or appropriate to release and discharge any such Mortgages.

12. **Transaction Test.** A new Section 3.14 would be added to the Master Indenture, as follows:

Section 3.14. Transaction Test. Notwithstanding, and in addition to, and as an alternative to, the provisions of Sections 3.05, 3.06, 3.08, 3.09, 3.11, 3.12 and 3.13 of this Master Indenture, (i) the Obligated Group or any Member of the Obligated Group may create or suffer to exist any Lien on Property (as an additional category of Permitted Lien); (ii) the Obligated Group or any Member of the Obligated Group may incur Additional Indebtedness; (iii) the Obligated Group or any Member of the Obligated Group may sell, lease, transfer or dispose of Operating Assets, or dispose of cash, investments, or other Property; (iv) the Obligated Group or any Member of the Obligated Group may merge or consolidate with an entity that is not a Member of the Obligated Group; (v) a Person may become a Member of the Obligated Group; (vi) a Member of the Obligated Group may withdraw from the Obligated Group; (vii) the Obligated Group or any Member of the Obligated Group may release or allow the release of any of the Mortgaged Property from the Lien of the Mortgages (as an additional category of Permitted Release); and (viii) the Obligated Group or any Member of the Obligated Group may modify or amend any of the Mortgages (as an additional category of Permitted Modification), in each case of clauses (i) through and including (viii) of this section, upon the delivery of an Officer's Certificate to the Master Trustee demonstrating compliance with any one of the provisions of the Transaction Test.

13. **Elimination of Certain Amendment Restrictions.** Section 6.01 of the Master Indenture would be amended by deleting the proviso immediately following Section 6.01(h)(iii), as follows:

Section 6.01. Supplements Not Requiring Consent of Holders. Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders enter into one or more Supplements for one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission herein.
- (b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders.
- (c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.02(a).
- (d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.
- (e) To create and provide for the issuance of Indebtedness or the entry into a Derivative Agreement (including, in either case, the issuance of an Obligation in respect thereof) as permitted under the Master Trust Indenture, so long as no Event of Default has occurred and is continuing under this Master Indenture.
- (f) To obligate a successor to any Member of the Obligated Group as provided in Section 3.11.
- (g) To comply with the provisions of any federal or state securities law.
- (h) So long as no Event of Default has occurred and is continuing under this Master Indenture and so long as no event which with notice or the passage of time or both would become an Event of

Default under this Master Indenture has occurred and is continuing, to make any change to the provisions of this Master Indenture (except as set forth below) if the following conditions are met:

(i) the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect either (A)(1) a Consultant's report to the effect that the proposed amendment is consistent with then current industry standards for comparable institutions and (2) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) consecutive calendar months preceding the date of delivery of the report for which there are Audited Consolidated Financial Statements available was at least 1.75; or (B) evidence satisfactory to the Master Trustee to the effect that (i) there exists for each Related Bond or Obligation, which is not pledged to secure Related Bonds, credit enhancement consisting of a surety bond, insurance policy, letter of credit or other form of credit enhancement from a financial institution generally regarded as responsible (in each case which is irrevocable and will remain in full force and effect for the entire period of time each such Related Bond or Obligation, as the case may be, remains outstanding and provides for payment in full of principal and interest on such Related Bond or Obligation when due) or the Obligated Group has delivered, respectively, to each Related Bond Trustee for each outstanding Related Bond, each trustee for any outstanding Obligation which is not pledged to secure Related Bonds and each holder of an outstanding Obligation which is not pledged to secure Related Bonds and with respect to which there is no trustee, credit enhancement of the types described above in this subpart, and (ii) evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed change is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than the rating applicable to such Related Bond or Obligation on the day prior to the effective date of such change;

(ii) if any series of Obligations or Related Bonds are rated based on credit enhancement of such Obligations or Related Bonds (whether in the form of a financial guaranty insurance policy, letter of credit, surety bond or otherwise) and not on the underlying credit of the Obligated Group, the issuer of such credit enhancement shall consent in writing to such amendment or modification; and

(iii) with respect to each outstanding Related Bond, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Bond would otherwise be entitled.

~~provided, however, that no amendment shall be made pursuant to this clause (h) which would have the effect, directly or indirectly, of changing or providing an alternative to (1) any provision of this Master Indenture requiring the maintenance or demonstration of a Long Term Debt Service Coverage Ratio, except to reduce such ratio, but in no event shall such ratio be reduced to less than 1.10 (or less than 1.00 if Governmental Restrictions make it impossible for a Long Term Debt Service Coverage Ratio of at least 1.10 to be maintained or demonstrated), (2) the definition of any term used in the calculation of the Long Term Debt Service Coverage Ratio, or the amount of Long Term Indebtedness or Short Term Indebtedness, or the definitions of Affiliate, Audited Consolidated Financial Statements, Book Value, Non Recourse Indebtedness, Operating Assets, Property, Plant and Equipment or Total Operating Revenues, or (3) Sections 3.01, 3.02(a), 3.05(b)(xii), 3.05(b)(xvi), 3.05(b)(xvii), 3.06(a)(i)(A), 3.08(a)(ii), 3.08(a)(iii), 3.09, 3.11, 3.12, 4.01 through 4.12, inclusive, 5.04, 6.01(h), 6.02(a), 7.01 or 8.02 of this Master Indenture.~~

(i) To make any changes to this Master Indenture in the event the Obligated Group Representative determines that a change in generally accepted accounting principles will create a lasting impediment upon the Members of the Obligated Group's ability to comply with the provisions of any quantitative financial provisions or requirements of this Master Indenture, which changes to this Master Indenture relate to any such quantitative provisions or requirements and the related definitions upon which the calculations included in such provisions or requirements are based, to provide for similar financial and economic measures of the performance of the Members of the Obligated Group, but only with the prior written consent of the Authority.

14. **Elimination of Credit Facility Issuer Consent Requirement.** Section 6.02(a) of the Master Indenture would be amended by deleting the phrase “, with consent of each Credit Facility Issuer insuring Obligations or Related Bonds”, as follows:

Section 6.02. Supplements Requiring Consent of Holders. (a) Other than Supplements referred to in Section 6.01 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding shall have the right, ~~with consent of each Credit Facility Issuer insuring Obligations or Related Bonds~~ from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Except as otherwise permitted in this Master Indenture or an existing Supplement, permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement and if the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) of this Section 6.02 for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by Section 8.01 of this Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

15. **Document Substitution.** A new Section 6.04 would be added to the Master Indenture, as follows:

Section 6.04. Document Substitution. (a) This Master Indenture may be amended or supplemented as provided in Sections 6.01 and 6.02 of this Master Indenture.

(b) In addition, the Obligated Group and the Master Trustee, may, without the consent of any of the Holders of any Obligations or any Related Bonds, but only upon receipt by the Master Trustee of an Officer's Certificate demonstrating satisfaction of the Substitution Transaction Test (as defined below), enter into one or more supplements, amendments, restatements, replacements or substitutions to this Master Indenture, to modify, amend, restate, supplement, replace, substitute, change or remove any covenant, agreement, term or provision of this Master Indenture, in whole or in part, including, but not limited to, an amendment, restatement or substitution of this Master Indenture, in whole to relate to all Related Bonds, or in part to relate to a portion of the Related Bonds, including but not limited to a series or subseries of the Related Bonds secured by payment obligations of the health care facilities on whose behalf the allocable portion of the proceeds of the Related Bonds were utilized, or an affiliate of such health care facilities, in order to effect (i) the affiliation of the Obligated Group Representative, the Obligated Group, or any Members of the Obligated Group with any of the foregoing or with another entity or entities in order to create a new or modified credit group or structure or in order to provide for the inclusion of the Obligated Group Representative, the Obligated Group, or any Members of the Obligated Group in another obligated group, combined group or other unified credit group or structure, (ii) the release or discharge of any collateral securing the Related Bonds, including, but not limited to, the release or discharge of (A) any or all Obligations, in whole or in part, issued pursuant to this Master Indenture to secure the Related Bonds and (B) the Obligated Group Representative, the Obligated Group, or any Members of the Obligated Group from any or all liability (whether direct or indirect) with respect to the Related Bonds or a portion thereof, any Related Loan Agreement, any Related Bond Indenture, the Obligations, or this Master Indenture or any portion of any thereof, in consideration for the issuance of a note or notes to secure the Related Bonds or portion of the Related Bonds that are to become an obligation of the new affiliated entities or the new obligated group, combined group or other unified credit group, which note or notes would constitute obligations of the new affiliated entities or the members of the new obligated group, combined group or other unified credit group, and (iii) the replacement of all or a portion of the financial and operating covenants and related definitions set forth in this Master Indenture with those of the new affiliated entities or the new obligated group, combined group or other unified credit group, set forth in the new agreement or master indenture (such transaction is referred to collectively herein as the "Substitution Transaction").

(c) The Substitution Transaction Test shall mean, and be satisfied if, the Obligated Group Representative delivers to the Master Trustee any one of the following:

(A) Rating Upgrade. An Officer's Certificate demonstrating that, upon consummation of the Substitution Transaction, and after giving effect to such Substitution Transaction, (i) at least one rating agency that has provided a long-term rating on the publicly sold Related Bonds provides written confirmation or other evidence to the effect that the long-term rating by such rating agency on such Related Bonds will either be A+ or higher, or will be a higher rating category or rating modifier than the then-current rating immediately prior to the Substitution Transaction as a result of and giving effect to the implementation of the Substitution Transaction; and (ii) the new obligated group satisfies the Transaction Test, assuming the incurrence of \$1.00 of additional Long-Term Indebtedness; or

(B) Coverage Test. An Officer's Certificate demonstrating (i) that the Long-Term Debt Service Coverage Ratio for the twelve (12) full consecutive calendar months for which there are Audited Consolidated Financial Statements available, assuming the proposed Substitution Transaction had occurred at the beginning of such twelve (12) calendar month period, is not less than 1.75, and (ii) that the Long-Term Debt Service Coverage Ratio for each of the two full Fiscal Years following implementation of the Substitution Transaction is projected to be not less than 1.75, or if less than 1.75 but at least 1.00, is projected to be greater than such ratio would have been if the proposed

Substitution Transaction had not been implemented, and (iii) the new obligated group satisfies the Transaction Test, assuming the incurrence of \$1.00 of additional Long-Term Indebtedness; or

(C) Rating Confirmation. In the event that the new obligated group, after giving effect to the Substitution Transaction, cannot satisfy the requirements of Paragraph (A) or (B) above, an Officer's Certificate demonstrating that, upon consummation of the Substitution Transaction, and after giving effect to the implementation of the Substitution Transaction, (i) at least two of the rating agencies that have provided a long-term rating on the publicly sold Related Bonds provide written confirmation or other evidence to the effect that the long-term ratings by each such rating agency on such Related Bonds, as a result of and giving effect to the implementation of the Substitution Transaction, will be no less than the then-current rating on such Related Bonds immediately prior to the implementation of the Substitution Transaction, or that the then-current rating will not be decreased or withdrawn as a result of the implementation of the Substitution Transaction (a rating decrease shall include instances where the rating category level remains unchanged but the rating modifier (such as "+" or "-") is decreased as a result of the implementation of the Substitution Transaction, but a rating decrease shall not include instances where the outlook alone is decreased); (ii) the new obligated group satisfies the Transaction Test, assuming the incurrence of \$1.00 of additional Long-Term Indebtedness; and (iii) the new master indenture contains a pledge of gross revenues or gross receipts similar to the pledge of Gross Receipts established under this Master Indenture.

(d) Upon the implementation of the Substitution Transaction pursuant to paragraph (c) above, and concurrently therewith, the Master Trustee shall, as may be directed in writing by the Obligated Group Representative, at the option and direction of the Obligated Group Representative, release and discharge the pledge of and security interest in Gross Receipts (only in the case of (c)(A) or (B) above) or any or all of the Mortgages or any portions thereof (in the case of (c)(A), (B) or (C) above), and file or record or allow to be filed or recorded any releases, discharges or termination statements that may be applicable thereto.

(e) If all amounts due or to become due on the Related Bonds have not been fully paid to the Holders thereof, at or prior to the implementation of the Substitution Transaction there shall also be delivered to the Master Trustee: (i) an Opinion of Bond Counsel to the effect that under then existing law the implementation of the Substitution Transaction and the execution of the amendments, supplements, restatements, replacements or substitutions contemplated in this Section, in and of themselves, would not adversely affect the validity of the Related Bonds or the exclusion from federal income taxation of interest payable on the Related Bonds, and (ii) an Opinion of Counsel to the new affiliated entities or the new obligated group, combined group or other unified credit group to the effect that (1) the note or notes of the new affiliated entities or the new obligated group, combined group or other unified credit group to be delivered in connection with the implementation of the Substitution Transaction constitute legal, valid and binding obligations of the new affiliated entities or the new obligated group, combined group or other unified credit group enforceable in accordance with their terms, except to the extent that the enforceability of such note or notes may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar laws or enactment affecting the enforcement of creditors' rights, and such other customary exceptions for similar transactions, and (2) the issuance of the note or notes will not cause the Related Bonds or such note or notes to become subject to the registration requirements pursuant to the Securities Act of 1933, as amended.

(f) Notwithstanding any other provisions of this Section 6.04, in no event may the implementation of the Substitution Transaction result in a change described in clause (i), (ii) or (iii) of Section 6.02(a) hereof without the receipt of the applicable level of consents required under such clauses.

(g) In addition, upon the implementation of the Substitution Transaction, the Obligated Group Representative shall direct the Master Trustee to give written notice thereof, by first-class mail, to the Holders of the Obligations then Outstanding.

APPENDIX H

PROPOSED FORMS OF APPROVING OPINIONS OF CO-BOND COUNSEL

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September ____, 2019

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: \$41,145,000 Dormitory Authority of the State of New York
Northwell Health Obligated Group Revenue Bonds, Series
2019A

\$161,180,000 Dormitory Authority of the State of New York
Northwell Health Obligated Group Revenue Bonds, Series
2019B

Ladies and Gentlemen:

We have acted as co-bond counsel to the Dormitory Authority of the State of New York (the “Authority”) in connection with the issuance of \$41,145,000 aggregate principal amount of its Northwell Health Obligated Group Revenue Bonds, Series 2019A (the “Series 2019A Bonds”) and \$161,180,000 aggregate principal amount of its Northwell Health Obligated Group Revenue Bonds, Series 2019B (the “Series 2019B Bonds” and together with the Series 2019A Bonds, the “Series 2019 Bonds”), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law), which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (constituting Chapter 6 of Title 18 of the New York Unconsolidated Laws), the Authority’s Northwell Health Obligated Group Revenue Bond Resolution adopted July 17, 2019 (the “Resolution”), the Series 2019A Resolution Authorizing Northwell Health Obligated Group Revenue Bonds, Series 2019A, adopted July 17, 2019, including the Bond Series Certificate executed and delivered concurrently with the issuance of the Series 2019A Bonds related thereto (collectively, the “Series 2019A Resolution”), and the Series 2019B Resolution Authorizing Northwell Health Obligated Group Revenue Bonds, Series 2019B, adopted July 17, 2019, including the Bond Series Certificate executed and delivered concurrently with the issuance of the Series

2019B Bonds related thereto (collectively, the “Series 2019B Resolution”), as applicable. The Resolution, the Series 2019A Resolution and the Series 2019B Resolution are herein collectively referred to as the “Resolutions.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into a Loan Agreement with Northwell Healthcare, Inc. (the “Institution”), dated as of July 17, 2019 (the “Loan Agreement”), providing, among other things, for a loan to the Institution for the purposes permitted in the Loan Agreement and by the Resolutions. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Series 2019 Bonds, as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of such Series 2019 Bonds.

The Series 2019 Bonds are secured by, among other things, funds and accounts held under the applicable Resolutions and a pledge of payments to be made under the Loan Agreement. In addition, the Series 2019 Bonds are secured by payments to be made by the Obligated Group on its Obligation No. 58, dated as of September 1, 2019 (“Obligation No. 58”), issued by the Members of the Obligated Group under a Master Trust Indenture, dated as of July 1, 1998, as amended and restated as of August 1, 2003, and as further amended and supplemented from time to time (as amended and supplemented, the “Master Trust Indenture”), by and among the Members of the Obligated Group and The Bank of New York Mellon, as successor to United States Trust Company of New York, as master trustee (the “Master Trustee”). Obligation No. 58 is a joint and several obligation of the Members of the Obligated Group secured by, among other things, a security interest in Gross Receipts (as defined in the Master Indenture) and the Mortgages previously granted to the Master Trustee by each of the Members of the Obligated Group (except the Institution).

In such connection, we have reviewed the Resolutions, the Loan Agreement, Obligation No. 58, the Master Trust Indenture, the Tax Certificate and Agreement, dated as of the date hereof (the “Tax Certificate”), by and among the Authority and the Institution, Long Island Jewish Medical Center, North Shore University Hospital, Glen Cove Hospital, Plainview Hospital, Northwell Health Stern Family Center for Rehabilitation, Southside Hospital, Huntington Hospital Association d/b/a Huntington Hospital, and Staten Island University Hospital (collectively, the “Organizations”), opinions of counsel to the Authority, the Trustee, the Institution and the other Members of the Obligated Group, certificates of the Authority, the Trustee, the Institution and the other Members of the Obligated Group and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Ropes & Gray LLP, counsel to the Obligated Group, regarding, among other matters, the current qualification of the Organizations as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”) and on the opinion of Hawkins Delafield & Wood LLP regarding the intended operation of the facilities to be financed and refinanced by the Series 2019 Bonds as substantially related to the Organizations’ charitable purpose under Section 513(a) of the Code. We note that such opinions are subject to a number of qualifications and limitations. Failure of any of the Organizations to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code, or use of the bond-financed

or refinanced facilities in activities that are considered unrelated trade or business activities of the Organizations within the meaning of Section 513 of the Code, may result in interest on the Series 2019 Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2019 Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2019 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2019 Bonds, the Resolutions, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Resolutions or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated September 18, 2019 (the "Official Statement") or other offering material relating to the Series 2019 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.
2. The Series 2019 Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with

their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Series 2019 Bonds, of the Revenues and any other amounts (including the proceeds of the sale of the Series 2019 Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, the Credit Facility Repayment Fund and the Purchase and Remarketing Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the Institution, constitutes the valid and binding agreement of the Authority in accordance with its terms.

5. Interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2019 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

September 26, 2019

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: \$41,145,000 Dormitory Authority of the State of New York
Northwell Health Obligated Group Revenue Bonds, Series 2019A

\$161,180,000 Dormitory Authority of the State of New York
Northwell Health Obligated Group Revenue Bonds, Series 2019B

Ladies and Gentlemen:

We have acted as co-bond counsel to the Dormitory Authority of the State of New York (the “Authority”) in connection with the issuance of \$41,145,000 aggregate principal amount of its Northwell Health Obligated Group Revenue Bonds, Series 2019A (the “Series 2019A Bonds”) and \$161,180,000 aggregate principal amount of its Northwell Health Obligated Group Revenue Bonds, Series 2019B (the “Series 2019B Bonds” and together with the Series 2019A Bonds, the “Series 2019 Bonds”), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), including, without limitation, as amended by the Health Care Financing Consolidation Act, constituting Chapter 83 of the Laws of 1995 of New York (constituting Title 4-B of Article 8 of the New York Public Authorities Law), which authorized the Authority to issue bonds pursuant to the New York State Medical Care Facilities Finance Agency Act, as amended, constituting Chapter 392 of the Laws of 1973 of New York, as amended (constituting Chapter 6 of Title 18 of the New York Unconsolidated Laws), the Authority’s Northwell Health Obligated Group Revenue Bond Resolution adopted July 17, 2019 (the “Resolution”), the Series 2019A Resolution Authorizing Northwell Health Obligated Group Revenue Bonds, Series 2019A, adopted July 17, 2019, including the Bond Series Certificate executed and delivered concurrently with the issuance of the Series 2019A Bonds related thereto (collectively, the “Series 2019A Resolution”), and the Series 2019B Resolution Authorizing Northwell Health Obligated Group Revenue Bonds, Series 2019B, adopted July 17, 2019, including the Bond Series Certificate executed and delivered concurrently with the issuance of the Series 2019B Bonds related thereto (collectively, the “Series 2019B Resolution”), as applicable. The Resolution, the Series 2019A Resolution and the Series 2019B Resolution are herein collectively referred to as the “Resolutions.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into a Loan Agreement with Northwell Healthcare, Inc. (the “Institution”), dated as of July 17, 2019 (the “Loan Agreement”), providing, among other things, for a loan to the Institution for the purposes permitted in the Loan Agreement and by the Resolutions. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Series 2019 Bonds, as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of such Series 2019 Bonds.

The Series 2019 Bonds are secured by, among other things, funds and accounts held under the applicable Resolutions and a pledge of payments to be made under the Loan Agreement. In addition, the Series 2019 Bonds are secured by payments to be made by the Obligated Group on its Obligation No. 58, dated as of September 1, 2019 (“Obligation No. 58”), issued by the Members of the Obligated Group under a Master Trust Indenture, dated as of July 1, 1998, as amended and restated as of August 1, 2003, and as further amended and supplemented from time to time (as amended and supplemented, the “Master Trust Indenture”), by and among the Members of the Obligated Group and The Bank of New York Mellon, as successor to United States Trust Company of New York, as master trustee (the “Master Trustee”). Obligation No. 58 is a joint and several obligation of the Members of the Obligated Group secured by, among other things, a security interest in Gross Receipts (as defined in the Master Indenture) and the Mortgages previously granted to the Master Trustee by each of the Members of the Obligated Group (except the Institution).

In such connection, we have reviewed the Resolutions, the Loan Agreement, Obligation No. 58, the Master Trust Indenture, the Tax Certificate and Agreement, dated as of the date hereof (the “Tax Certificate”), by and among the Authority and the Institution, Long Island Jewish Medical Center, North Shore University Hospital, Glen Cove Hospital, Plainview Hospital, Northwell Health Stern Family Center for Rehabilitation, Southside Hospital, Huntington Hospital Association d/b/a Huntington Hospital, and Staten Island University Hospital (collectively, the “Organizations”), opinions of counsel to the Authority, the Trustee, the Institution and the other Members of the Obligated Group, certificates of the Authority, the Trustee, the Institution and the other Members of the Obligated Group and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Ropes & Gray LLP, counsel to the Obligated Group, regarding, among other matters, the current qualification of the Organizations as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”) and on the opinion of Hawkins Delafield & Wood LLP regarding the intended operation of the facilities to be financed and refinanced by the Series 2019 Bonds as substantially related to the Organizations’ charitable purpose under Section 513(a) of the Code. We note that such opinions are subject to a number of qualifications and limitations. Failure of any of the Organizations to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of their status as organizations described in Section 501(c)(3) of the Code, or use of the bond-financed or refinanced facilities in activities that are considered unrelated trade or business activities of the Organizations within the meaning of Section 513 of the Code, may result in interest on the Series 2019 Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2019 Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2019 Bonds has concluded with their issuance, and we disclaim any

obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2019 Bonds, the Resolutions, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Resolutions or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated September 18, 2019 (the "Official Statement") or other offering material relating to the Series 2019 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.
2. The Series 2019 Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions and will be entitled to the benefit of the Resolutions and the Act.
3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Series 2019 Bonds, of the Revenues and any other amounts (including the proceeds of the sale of the Series 2019 Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, the Credit Facility Repayment Fund and the Purchase and Remarketing Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the Institution, constitutes the valid and binding agreement of the Authority in accordance with its terms.

5. Interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2019 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds.

Respectfully submitted,

Brown Hutchinson, LLP

APPENDIX I

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 NORTHWELL HEALTH OBLIGATED GROUP REVENUE BONDS, SERIES 2019A AND SERIES 2019B

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the “Disclosure Agreement”), dated as of September 26, 2019, is executed and delivered by Northwell Healthcare, Inc. (the “Obligated Person”), in its capacity as representative (the “Obligated Group Representative”) of that certain obligated group consisting of the Obligated Person, North Shore University Hospital, Long Island Jewish Medical Center, Glen Cove Hospital, Plainview Hospital, Northwell Health Stern Family Center for Rehabilitation, Lenox Hill Hospital, Southside Hospital, Huntington Hospital Association d/b/a Huntington Hospital and Staten Island University Hospital (collectively, the “Obligated Group”), 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)(i) and 2(d), 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)(i) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3(a) of this Disclosure Agreement.

“Audited Consolidated Financial Statements” means the financial statements of Northwell Health, Inc. for a twelve-month period, or for such other period for which an

audit has been performed, which have been audited and reported upon by a firm of nationally recognized independent certified public accountants, prepared in conformity with generally accepted accounting principles, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a)(ii) of this Disclosure Agreement. Such Audited Consolidated Financial Statements shall include consolidated statements of financial position, consolidated statements of operations, consolidated statements of changes in net assets and consolidated statements of cash flows, and shall also include the consolidating statement of financial position and the consolidating statement of operations from which the financial information relating solely to the Obligated Group may be derived for the same twelve-month period.

“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, Quarterly Report, Audited Consolidated 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, Quarterly Report, Audited Consolidated 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.

“Fiscal Year” means the 12-month period beginning on January 1 and ending on December 31 or any other 12-month period selected by the Obligated Person as the Fiscal Year of the Obligated Person for financial reporting purposes .

“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 Quarterly Reports, the Annual Reports, the Audited Consolidated 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.

“Quarterly Filing Date” means the date, set in Section 2(b)(i), by which the Quarterly Report is to be filed with the MSRB.

“Quarterly Report” means a Quarterly Report described in and consistent with Section 3(b) of this Disclosure Agreement.

“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 (c)(vi)(1) through (c)(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 (c)(vii)(1) through (c)(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 and Quarterly Reports.

(a) Annual Reports.

(i) 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 165 days after the end of the Obligated Person’s Fiscal Year (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 Consolidated 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.

(ii) 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)(i). 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 Consolidated Financial Statements, if available, and unaudited consolidated financial statements if audited consolidated financial statements are not available in accordance with subsection (iv) 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

Consolidated 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.

(iii) 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.

(iv) If Audited Consolidated Financial Statements are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited consolidated financial statements for filing prior to the Annual Filing Date in accordance with Section 3(a)(ii) hereof and, when the Audited Consolidated 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.

(b) Quarterly Reports.

(i) The Obligated Person shall provide an electronic copy of the Quarterly Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 60 days subsequent to the last day of each of the first three quarters in each Fiscal Year. Promptly upon receipt of an electronic copy of the Quarterly Report and the Certification, the Disclosure Dissemination Agent shall provide the Quarterly Report to the MSRB through the EMMA System for municipal securities disclosures. The Quarterly Report 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.

(ii) If on the fifteenth (15th) day prior to the Quarterly Filing Date, the Disclosure Dissemination Agent has not received a copy of the Quarterly 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 Quarterly Report pursuant to Section 2(b)(i). Upon such reminder, the Obligated Person shall, not later than two (2) business days prior to the Quarterly Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Quarterly Report and 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 Quarterly Report and Certification for such fiscal quarter 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 Quarterly Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(iii) If the Disclosure Dissemination Agent has not received a Quarterly Report and Certification by 6:00 p.m. Eastern time on the Quarterly Filing Date (or, if such Quarterly Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Quarterly 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 Quarterly Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to each Annual Filing Date and Quarterly Filing Date;
- (ii) upon receipt, promptly file each Annual Report and Quarterly 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(a)(iv) 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 status of the securities;

7. Modifications to rights of securities holders, if material;
 8. Bond calls, if material, and tender offers;
 9. Defeasances;
 10. Release, substitution, or sale of property securing repayment of the securities, if material;
 11. Ratings changes;
 12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person or any other member of the Obligated Group;
 13. Merger, consolidation, or acquisition of the Obligated Person or any other member of the Obligated Group, if material;
 14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
 15. Incurrence of a Financial Obligation of 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
 16. 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(a)(iii) or Section 2(b)(iii) 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/quarterly financial information as required” when filing pursuant to Section 2(a) or Section 2(b) 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 or obligated group;”

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.

(d) The Obligated Person may adjust the Quarterly Filing Date and Annual Filing Date upon change of Northwell Health, Inc.'s fiscal year by providing written notice of such change and the new Quarterly Filing Date and 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.

(e) 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 Reports.

(a) Annual Report.

- (i) Each Annual Report shall contain Annual Financial Information which shall include operating data and financial information of the Obligated Group or Northwell Health, Inc., as applicable, of the type included in the Official Statement for the Bonds as described in "APPENDIX A – Northwell and the Obligated Group" to the Official Statement relating to the following: (a) utilization statistics of the type set forth under the heading "Utilization Statistics and Payer Mix" in the table titled "Utilization Statistics for the Obligated Group," (b) sources of patient service revenue of the type set forth under the heading "Utilization Statistics and Payer Mix" in the table titled "Payer Mix for the Obligated Group"; (2) data demonstrating the Long-Term Debt Service Coverage Ratio for the preceding fiscal year of the Obligated Group, together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Group or Northwell Health, Inc., as applicable; and
- (ii) Each Annual Report shall also contain Audited Consolidated 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 Consolidated Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if Unaudited Consolidated Financial Statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Consolidated Financial Statements (if any) will be provided pursuant to Section 2(a)(iv).

- (b) Quarterly Reports. Each Quarterly Report shall contain the following information:
- (i) the unaudited consolidated financial statements of Northwell Health, Inc., including the consolidated statements of financial position as of the end of such quarter, the consolidated statements of operations, the consolidated statements of changes in net assets, and the consolidated statements of cash flows, as well as the consolidating statement of financial position and the consolidating statement of operations from which the financial information relating solely to the Obligated Group may be derived;
 - (ii) utilization statistics of the type set forth under the heading “Utilization Statistics and Payer Mix” in the table titled “Utilization Statistics for the Obligated Group”; and
 - (iii) sources of patient service revenue of the type set forth under the heading “Utilization Statistics and Payer Mix” in the table titled “Payer Mix for the Obligated Group.”

(c) Any or all of the items listed in this Section 3 may be included by specific reference from other documents, including official statements of debt issues with respect to which the each member of the Obligated Group 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.

(d) Any Annual Financial Information or Quarterly Report 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, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person or any other member of the Obligated Group;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) 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.

13. 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;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of 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

16. 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 may 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(c)(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(c)(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 the MSRB, in accordance with Section 2(c)(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 Consolidated 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(c)(vi) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, 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 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(c)(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(c)(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(c)(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 or mentioned in 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 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, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures. 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 left intentionally 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: _____

NORTHWELL HEALTHCARE, INC.
As Obligated Person and as the Obligated Group
Representative on behalf of itself and the other
members of the Obligated Group

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): Northwell Healthcare, Inc.
Name of Bond Issue: Northwell Health Obligated Group Revenue Bonds, Series 2019A
and Series 2019B
Date of Issuance: September 26, 2019
Date of Official Statement: September 18, 2019

Series 2019A

<u>Maturity</u>	<u>CUSIP No.</u>
2020	64990GSM5
2021	64990GSN3
2022	64990GSP8
2023	64990GSQ6
2024	64990GSR4
2025	64990GSS2
2026	64990GST0
2027	64990GSU7
2028	64990GSV5
2029	64990GSW3
2030	64990GSX1
2031	64990GSY9
2032	64990GSZ6
2033	64990GTA0

Series 2019B-1

<u>Maturity</u>	<u>CUSIP No.</u>
2048	64990GTB8

Series 2019B-2

<u>Maturity</u>	<u>CUSIP No.</u>
2048	64990GTC6

Series 2019B-3

<u>Maturity</u>	<u>CUSIP No.</u>
2048	64990GTD4

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE [QUARTERLY/ANNUAL] REPORT

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): Northwell Healthcare, Inc.
Name of Bond Issue: Northwell Health Obligated Group Revenue Bonds, Series 2019A
and Series 2019B
Date of Issuance: September 26, 2019

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an [Annual/Quarterly] Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of September 26, 2019, 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 [Quarterly/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:

Issuer’s 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, and tender offers;”
9. _____ “Defeasances;”
10. _____ “Release, substitution, or sale of property securing repayment of the securities, if material;”
11. _____ “Rating changes;”
12. _____ “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
13. _____ “Merger, consolidation, or acquisition of the obligated person, if material;”
14. _____ “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”
15. _____ “Incurrence of a financial obligation of 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
16. _____ “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/quarterly 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 September 26, 2019 by and among the Obligated Person, the Trustee and DAC.

Issuer’s and Obligated Person’s Names:

Issuer’s 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 or obligated group;”
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 September 26, 2019 by and among the Obligated Person, the Trustee and DAC.

Issuer’s and Obligated Person’s Names:

Issuer’s 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:

