NEW ISSUE **RATINGS: Moody's: Baa2**
Book-Entry Only **S&P: BBB**

In the opinion of Winston & Strawn LLP, Bond Counsel, based on existing statutes, regulations, rulings, and court decisions, interest on the Series 2016 Bonds is not includable in gross income for federal income tax purposes assuming continuing compliance with certain covenants and the accuracy of certain representations. In the opinion of Bond Counsel, interest on the Series 2016 Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax on individuals and corporations; however such interest is includable in adjusted current earnings used to calculate the federal alternative minimum tax on corporations. In the further opinion of Bond Counsel, interest on the Series 2016 Bonds is not includable in taxable income for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers) assuming compliance with the tax covenants and the accuracy of the representations and certifications described herein. See "TAX MATTERS" herein for further information.

$283,580,000
WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS, SERIES 2016
(WESTCHESTER MEDICAL CENTER OBLIGATED GROUP PROJECT)

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

On the issuance date, the Westchester County Local Development Corporation (the "Issuer") will issue its $283,580,000 aggregate principal amount of Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project) (the "Series 2016 Bonds"). The Series 2016 Bonds are issuable only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only form in the denominations of $5,000, or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2016 Bonds. Interest on the Series 2016 Bonds is payable on each May 1 and November 1, commencing November 1, 2016. So long as Cede & Co. is the registered owner of the Series 2016 Bonds, payments of principal or redemption price of and interest on the Series 2016 Bonds are required to be made to Beneficial Owners by DTC through its participants. See "THE SERIES 2016 BONDS – Book-Entry Only System" herein.

The Series 2016 Bonds are issued pursuant to a Trust Indenture, dated as of March 1, 2016 (the "Indenture"), by and between the Issuer and U.S. Bank National Association, as bond trustee (the "Trustee"). The proceeds of the Series 2016 Bonds will be loaned by the Issuer to Westchester County Health Care Corporation (the "Corporation") and applied by the Corporation as described herein.

The Series 2016 Bonds will be secured by (a) certain funds and accounts established under the Indenture; and (b) the Series 2016 Obligation (the "Series 2016 Obligation") issued under the Master Trust Indenture, dated as of November 1, 2000, as amended and supplemented (the "Master Indenture"), by and among Members of the Obligated Group (the Corporation is currently the only Member of the Obligated Group) and U.S. Bank National Association, as successor master trustee (the "Master Trustee"), as supplemented by and through the Eleventh Supplemental Indenture, dated as of March 1, 2016, described herein (the "Supplemental Indenture") by and among the Members of the Obligated Group and the Master Trustee. The Series 2016 Obligation and the other Outstanding Obligations issued under the Master Indenture are additionally secured by (a) a pledge of the Gross Receipts of the Obligated Group and mortgages (collectively, the "Mortgage") on the Corporation's leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between the County of Westchester and the Corporation (the "Lease Agreement") and fee interest in MidHudson Regional Hospital in Poughkeepsie, New York, with all proceeds realized from the Mortgage to be applied proportionally and ratably to all Obligations issued under the Master Indenture.

AN INVESTMENT IN THE SERIES 2016 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE SERIES 2016 BONDHOLDER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO THE SECTIONS ENTITLED "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS" AND "CERTAIN BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2016 BONDS.

THE SERIES 2016 BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER NOR A DEBT OR INDEBTEDNESS OF WESTCHESTER COUNTY OR THE STATE OF NEW YORK AND NEITHER WESTCHESTER COUNTY, NOR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2016 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE. THE ISSUER HAS NO TAXING POWER.

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS
(See Inside Cover)

The Series 2016 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity, including redemption and purchase at par under certain circumstances, as described herein under "THE SERIES 2016 BONDS."

The Series 2016 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approving opinion of Winston & Strawn LLP, New York, New York, as Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its special counsel, Buchanan Ingersoll & Rooney PC, New York, New York; for the Corporation by its General Counsel, Julie Switzer, Esq.; and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York. It is expected that the Series 2016 Bonds will be available for delivery in definitive form to DTC in New York, New York on or about March 30, 2016.

Wells Fargo Securities

Drexel Hamilton, LLC **Loop Capital Markets** **Raymond James**

Dated: March 15, 2016

$283,580,000
WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS, SERIES 2016
(WESTCHESTER MEDICAL CENTER OBLIGATED GROUP PROJECT)

$56,765,000 Serial Bonds

Due (November 1)	Amount	Interest Rate	Yield	CUSIP Numbers†
2016	$300,000	3.00%	0.45%	95737TBJ4
2017	160,000	4.00	1.05	95737TBK1
2018	165,000	4.00	1.24	95737TBL9
2019	2,145,000	5.00	1.45	95737TBM7
2020	2,255,000	5.00	1.66	95737TBN5
2021	2,565,000	5.00	1.88	95737TBP0
2022	2,685,000	5.00	2.09	95737TBQ8
2023	2,815,000	5.00	2.30	95737TBR6
2024	2,955,000	5.00	2.50	95737TBS4
2025	3,100,000	5.00	2.67	95737TBT2
2026	3,245,000	5.00	2.82*	95737TBU9
2027	3,400,000	5.00	2.94*	95737TBV7
2028	5,280,000	5.00	3.02*	95737TBW5
2029	5,440,000	5.00	3.10*	95737TBX3
2030	2,825,000	5.00	3.20*	95737TCE4
2031	3,685,000	5.00	3.30*	95737TBY1
2032	3,875,000	5.00	3.39*	95737TBZ8
2033	4,065,000	5.00	3.44*	95737TCA2
2034	5,805,000	5.00	3.49*	95737TCB0

$50,810,000 3.75% Term Bonds due November 1, 2037, Priced to Yield 3.90% CUSIP 95737TCC8†
$176,005,000 5.00% Term Bonds due November 1, 2046, Priced to Yield 3.79%* CUSIP 95737TCD6†

* Denotes yield calculated to November 1, 2025 par call date.

† CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the holders of the Series 2016 Bonds. None of the Issuer, the Underwriters or the Corporation is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness of the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2016 Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2016 Bonds.

No dealer, broker, salesman or other person has been authorized by the Issuer, the Corporation, DTC, or the Underwriters to give any information or to make any representations with respect to this offering, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Corporation since the date hereof.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2016 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

This Official Statement contains a general description of the Series 2016 Bonds, the Issuer, the Corporation, and the plan of financing, and sets forth certain provisions of the Indenture, the Loan Agreement, the Master Indenture and the Supplemental Indenture. The description and summaries herein do not purport to be complete. Persons interested in purchasing the Series 2016 Bonds should review carefully the Appendices attached hereto as well as copies of such documents, which are held by the Trustee at its principal office.

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

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 Issuer, the Corporation or the Obligated Group have remained unchanged after the date of this Official Statement.

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

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

TABLE OF CONTENTS

OFFICIAL STATEMENT

Relating to:

$283,580,000
WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS, SERIES 2016
(WESTCHESTER MEDICAL CENTER OBLIGATED GROUP PROJECT)

INTRODUCTORY STATEMENT

Purpose of this Official Statement

This Official Statement, including the front cover page, inside cover page and appendices, provides certain information with respect to the issuance and sale by the Westchester County Local Development Corporation (the "Issuer") of $283,580,000 aggregate principal amount of its Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project) (the "Series 2016 Bonds"). The Series 2016 Bonds are to be issued by the Issuer under an Trust Indenture, dated as of March 1, 2016 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Certain capitalized terms used herein are defined in APPENDIX C or D, as applicable.

Purpose of the Issue

The proceeds of the Series 2016 Bonds, together with other available funds, will be used to (i) finance certain capital projects at the Corporation's (as defined herein) facilities; (ii) advance refund a portion of the Corporation's outstanding $78,380,000 aggregate principal amount of Revenue Bonds, Series 2010B (Tax-Exempt) – Senior Lien (the "Series 2010B Bonds") and $32,410,000 aggregate principal amount of Revenue Bonds, Series 2010C-2 (Tax-Exempt) – Senior Lien (the "Series 2010C-2 Bonds" and, together with the Series 2010B Bonds, referred to herein as the "Prior Bonds"); (iii) fund capitalized interest on the Series 2016 Bonds; and (iv) pay costs related to the issuance of the Series 2016 Bonds (the "Project"). The capital projects to be funded are further described under "THE PLAN OF FINANCE" herein and in APPENDIX A hereto.

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

The Issuer

The Issuer is a not-for-profit local development corporation formed under Article 14 of the New York Not-For-Profit Corporation Law (the "Act") and is authorized and empowered under the Act to issue the Series 2016 Bonds for the purposes described in this Official Statement. See "THE ISSUER" herein.

The Corporation

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

The Obligated Group

The Corporation is currently the only Member of the Obligated Group created pursuant to the Master Trust Indenture, dated as of November 1, 2000, as amended and supplemented (the "Master Indenture"), between the Corporation and U.S. Bank National Association, as successor Master Trustee (the "Master Trustee"), and the Eleventh Supplemental Indenture, dated as of March 1, 2016 (the "Supplemental Indenture"). Under certain conditions set forth in the Master Indenture, Persons which are not Members of the Obligated Group may, with the

consent of the Corporation, and corporations which are successor corporations to any Member of the Obligated Group may, become Members of the Obligated Group, and Members of the Obligated Group, with the consent of the Corporation, may, upon compliance with certain requirements of the Master Indenture, withdraw from the Obligated Group. The Corporation may not withdraw from the Obligated Group. See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" herein.

Payment and Security for the Series 2016 Bonds

The Series 2016 Bonds and any Additional Bonds that may be issued under the Indenture are special and limited obligations of the Issuer, equally and ratably payable solely from payments to be made by the Corporation pursuant to the Loan Agreement, dated as of March 1, 2016 (the "Loan Agreement"), by and between the Issuer and the Corporation.

As security for the Bondholders, the Corporation, as sole Member of the Obligated Group, has entered into the Supplemental Indenture and has issued the Series 2016 Obligation (the "Series 2016 Obligation"), under the Master Indenture and the Supplemental Indenture, as security for the Series 2016 Bonds. The Series 2016 Obligation is further secured by a Gross Receipts pledge under the Master Indenture and the Mortgage (as defined in the Master Indenture) on the principal inpatient hospital campuses and certain other facilities of the Corporation.

The Master Indenture

The Master Indenture authorizes the issuance, from time to time, of Obligations or a Series of Obligations, each such Obligation or Series of Obligations to be authorized by a separate Supplemental Indenture. The issuance of Obligations is subject to the satisfaction of certain financial covenants set forth in the Master Indenture which binds all Members of the Obligated Group as described in "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS - The Master Indenture - Obligations under the Master Indenture" herein and "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

The Mortgage

The Series 2016 Obligation and the other Outstanding Obligations issued under the Master Indenture are additionally secured by mortgages (collectively, the "Mortgage") on the Corporation's (i) leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between the County and the Corporation (the "Lease Agreement") of real property upon which the facilities constituting the Health Care Facilities of the Medical Center are located, and (ii) fee interest in the Health Care Facilities at MidHudson Regional Hospital in Poughkeepsie, New York, with all proceeds realized from the Mortgage to be applied proportionately and ratably to all Obligations issued under the Master Indenture. The Lease Agreement permits the Corporation, under certain circumstances, to assign, mortgage, pledge or otherwise encumber such leasehold interest. The Mortgage permits the Corporation, under certain circumstances, to obtain a release of a portion of the mortgaged property, other than the improvements constituting the Health Care Facilities of the Medical Center, from the lien of the Mortgage. The Master Indenture provides that the Members of the Obligated Group will not permit the existence of any Lien on Property owned or acquired by it other than the Mortgage and Permitted Liens. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS – The Master Indenture" and "APPENDIX D – Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

Existing Indebtedness

As of December 31, 2015, the Corporation had outstanding $460,709,570 of indebtedness evidenced by obligations under the Master Indenture. That amount consists of (i) $108,170,000 aggregate principal amount of the Corporation's Revenue Bonds, Series 2000A - Senior Lien; (ii) $37,390,000 aggregate principal amount of the Corporation's Revenue Bonds, Series 2010A (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (iii) $78,380,000 aggregate principal amount of Revenue Bonds, Series 2010B (Tax-Exempt) – Senior Lien; (iv) $31,450,000 aggregate principal amount of Revenue Bonds, Series 2010C-1 (Federally Taxable – Direct

Placement-Build America Bonds) – Senior Lien; (v) $32,410,000 aggregate principal amount of Revenue Bonds, Series 2010C-2 (Tax-Exempt) – Senior Lien; (vi) $57,280,000 aggregate principal amount of Revenue Bonds, Series 2010D (Taxable) – Senior Lien; (vii) $48,585,000 aggregate principal amount of Revenue Bonds, Series 2011A (Tax-Exempt) – Senior Lien; (viii) $15,295,000 aggregate principal amount of Revenue Bonds, Series 2011B (Tax-Exempt) – Senior Lien; (ix) $26,941,000 aggregate principal amount of Revenue Bonds, Series 2014A (Tax-Exempt) – Senior Lien; (x) $20,185,704 Dutchess County Local Development Corporation Revenue Bonds, Series 2015A (Tax-Exempt); and (xi) $4,622,865 Dutchess County Local Development Corporation Revenue Bonds, Series 2015B (Taxable). A portion of the Series 2010B and 2010C-2 Bonds identified in this paragraph are expected to be refunded with a portion of the proceeds of the Series 2016 Bonds.

In addition to the outstanding bond indebtedness identified above, the Corporation has equipment lease obligations of $14.5 million, a bank line of credit of $35 million (no outstanding amount) and has guaranteed the annual debt service on $122,319,000 of Series 2015 Charity Health System Obligated Group taxable bonds.

For a detailed description of the existing indebtedness of the Corporation, see "APPENDIX A – FINANCIAL HISTORY OF THE CORPORATION – Outstanding Indebtedness" and "APPENDIX B – Audited Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2014 and 2013" attached hereto.

Additional Bonds and Additional Indebtedness

The Indenture provides for the issuance, under certain conditions, of Additional Bonds by the Issuer on a parity with the Series 2016 Bonds. See APPENDIX C – "THE INDENTURE – Additional Bonds" for a description of Additional Bonds.

Each of the Members of the Obligated Group, upon compliance with the terms and conditions and for the purposes described in the Master Indenture, may incur Additional Indebtedness. Such Additional Indebtedness, if evidenced by an Obligation or Series of Obligations issued under the Master Indenture, if issued as a Senior Obligation, would constitute a joint and several obligation of each Member of the Obligated Group and may be secured on a parity with respect to the Gross Receipts pledge and the Mortgage for the Series 2016 Obligation and all other Outstanding Obligations under the Master Indenture or, may be issued as a Subordinate Obligation (as defined in the Master Indenture). See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto. Such other indebtedness, if not so evidenced by an Obligation issued under the Master Indenture, would constitute a debt solely of the individual Member of the Obligated Group incurring such indebtedness and any guarantor thereof, and not a joint and several obligation of the Obligated Group.

Certain Additional Indebtedness permitted to be incurred by a Member of the Obligated Group under the Master Indenture may be secured by a lien on accounts receivable within limits established by the Master Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS - Additional Indebtedness" and "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

THE ISSUER

Purpose and Powers

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

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

The Issuer has heretofore issued obligations to finance projects for not-for-profit entities with respect to facilities located in the County. All such obligations were issued pursuant to instruments separate and apart from the Indenture, and are secured by and payable from assets separate and apart from those securing, and constituting the source of payment for, the Series 2016 Bonds.

Limited Recourse on Series 2016 Bonds and the Issuer

THE SERIES 2016 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE PAYMENTS MADE UNDER THE LOAN AGREEMENT AND FROM THE MONEYS AND SECURITIES HELD BY THE TRUSTEE UNDER THE INDENTURE. NEITHER THE ISSUER NOR ITS MEMBERS, DIRECTORS OR OFFICERS ARE PERSONALLY LIABLE WITH RESPECT TO THE SERIES 2016 BONDS. ACCORDINGLY, NO FINANCIAL INFORMATION WITH RESPECT TO THE ISSUER OR ITS MEMBERS, DIRECTORS OR OFFICERS HAS BEEN INCLUDED IN THIS OFFICIAL STATEMENT.

THE SERIES 2016 BONDS SHALL NOT BE A DEBT OF THE STATE OR THE COUNTY, AND NEITHER THE STATE NOR THE COUNTY SHALL BE LIABLE THEREON. THE ISSUER HAS NO TAXING POWER.

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

CORPORATION

The Corporation

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

The Corporation is a New York public benefit corporation, exempt from federal income tax, and operates a hospital established under Article 28 of the New York Public Health Law. The Corporation was created by virtue of an amendment to the New York State Public Authorities Law by adding a new Article 10-C, Title 1. The statute specifically provides that the Corporation's corporate existence shall continue until terminated by law; provided,

however, that no such termination shall take effect so long as the Corporation shall have bonds or other obligations outstanding, unless adequate provision has been made for the payment or satisfaction thereof. The Corporation's powers, duties and functions are as set forth in the statute and other applicable laws.

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

The Medical Center History

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

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

THE SERIES 2016 BONDS

General Description

The Series 2016 Bonds are issuable only as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only form in denominations of $5,000, or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2016 Bonds. So long as the Series 2016 Bonds are held in DTC's book-entry only system, DTC (or a successor securities depository) or its nominee will be the registered owner of the Series 2016 Bonds for all purposes of the Indenture, the Series 2016 Bonds and this Official Statement, and payments of principal or redemption price of and interest on the Series 2016 Bonds will be made solely through the facilities of DTC. See "Book-Entry Only System" herein.

Interest on the Series 2016 Bonds is payable on each May 1 and November 1, commencing November 1, 2016. So long as Cede & Co. is the registered owner of the Series 2016 Bonds, payments of principal or redemption price of and interest on the Series 2016 Bonds are required to be made to Beneficial Owners by DTC through its participants.

The regular record date for interest due on the Series 2016 Bonds on any Interest Payment Date is the fifteenth day of the preceding month (whether or not a Business Day). Notwithstanding the foregoing, interest which is due and payable on any Interest Payment Date, but cannot be paid on such date from available funds under the Indenture, shall thereupon cease to be payable to the registered owners otherwise entitled thereto as of such date. Such defaulted interest will be payable to the person in whose name such Series 2016 Bond is registered at the close of business on a special record date established by the Trustee. The Trustee shall mail a notice specifying the special payment date and special record date so established to each registered owner of the Series 2016 Bonds, such notice to be mailed at least 10 days prior to the special record date.

Redemption Prior to Maturity

Optional Redemption.

The Series 2016 Bonds maturing after November 1, 2025, are subject to redemption by the Issuer, at the option of the Corporation, on or after November 1, 2025, in whole or in part at any time, at par plus accrued interest to the Redemption Date. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The Corporation shall give the Bond Trustee written notice of its intention to prepay the Series 2016 Bonds under the Indenture in sufficient time to enable the Bond Trustee to give notice of such prepayment in the manner provided below.

Extraordinary Redemption.

The Series 2016 Bonds are subject to redemption in whole or in part at any time, without premium or penalty, at a Redemption Price equal to 100% of the principal amount of the Series 2016 Bonds to be prepaid plus interest accrued thereon to the Redemption Date, upon the occurrence of any of the following events:

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

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

Mandatory Sinking Fund Redemption.

The Series 2016 Bonds maturing on November 1, 2037 are subject to mandatory redemption in part by lot by operation of Sinking Fund Payments at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date. The amounts and due dates of the Sinking Fund Payments are set forth in the following table:

Bonds Due November 1,	**Principal Amount Subject to Redemption**
2035	$18,700,000
2036	19,220,000
2037†	12,890,000

† Maturity

The Series 2016 Bonds maturing on November 1, 2046 are subject to mandatory redemption in part by lot by operation of Sinking Fund Payments at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date. The amounts and due dates of the Sinking Fund Payments are set forth in the following table:

Bonds Due November 1,	Principal Amount Subject to Redemption	Bonds Due November 1,	Principal Amount Subject to Redemption
2038	$ 4,585,000	2043	$26,160,000
2039	4,810,000	2044	27,465,000
2040	5,055,000	2045	30,620,000
2041	20,250,000	2046†	32,150,000
2042	24,910,000		

† Maturity

Purchase in Lieu of Redemption

The Corporation shall have the option to cause any Series 2016 Bonds to be purchased by the Corporation, or its designee, in lieu of redemption. Such option may be exercised by delivery to the Trustee of written notice of the Corporation specifying that the Series 2016 Bonds shall not be redeemed, but instead shall be subject to purchase. Upon delivery of such notice, the Series 2016 Bonds shall not be redeemed but shall be purchased at a price equal to the applicable Redemption Price. The Series 2016 Bonds purchased as described in this paragraph are not required to be cancelled, and if not so cancelled shall remain Outstanding under the Indenture and in such case shall continue to bear interest and shall continue to be subject to optional redemption as described in the Indenture.

Notice of Redemption.

The Trustee shall call Series 2016 Bonds for optional redemption or extraordinary redemption upon receipt of notice from the Corporation directing such redemption.

When the Series 2016 Bonds are to be redeemed pursuant to the Indenture, the Trustee shall give notice of the redemption of the Series 2016 Bonds in the name of the Issuer stating the Redemption Price, the principal amount of the Series 2016 Bonds to be redeemed, the numbers of the Series 2016 Bonds to be redeemed if less than all of the Series 2016 Bonds are to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable and, if applicable, specify that such redemption is conditional on the availability of funds on such date.

Notice shall be given by mail at least thirty (30) days and not more than sixty (60) days prior to said redemption to the Owner of each Series 2016 Bond to be redeemed at the address shown on the registration books; but failure to give such notice by mail, or any defect therein, shall not affect the validity of any proceeding for the redemption of the Series 2016 Bonds.

Payment of Redeemed Bonds.

After notice of redemption has been provided, the Series 2016 Bonds or portions thereof called for redemption shall become due and payable on the Redemption Date so designated (except as provided in the Indenture). Upon presentation and surrender of such Series 2016 Bonds at the Office of the Trustee, such Series 2016 Bonds shall be paid at the Redemption Price, plus accrued interest to the Redemption Date.

If, on the Redemption Date, moneys for the redemption of all the Series 2016 Bonds or portions thereof to be redeemed, together with interest thereon to the Redemption Date, shall be held by the Trustee so as to be available therefor on such date, the Series 2016 Bonds or portions thereof so called for redemption shall cease to bear interest, and such Series 2016 Bonds or portions thereof shall no longer be Outstanding under the Indenture or

be secured by or be entitled to the benefits of the Indenture except with respect to payment of the Redemption Price thereof and accrued interest thereon to the Redemption Date. If such moneys shall not be so available on the Redemption Date, such Series 2016 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of the Indenture.

In the event of redemption of less than all Outstanding Series 2016 Bonds, the series and maturity to be redeemed shall be selected by the Corporation. In the event of redemption of less than all Outstanding Series 2016 Bonds of the same maturity, the principal amount of such Series 2016 Bonds to be redeemed shall be selected by the Trustee by lot within such maturity.

Additional Bonds and Permitted Debt

The Indenture provides for the issuance, under certain conditions, of Additional Bonds by the Issuer on a parity with the Series 2016 Bonds. In addition, pursuant to the Master Indenture, the Corporation may issue additional long term Indebtedness upon satisfaction of the provisions set forth therein.

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

Book-Entry Only System

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

General

The following description of DTC, the procedures and record keeping with respect to beneficial ownership interests in the Series 2016 Bonds, payment of interest and principal on the Series 2016 Bonds to DTC Participants or Beneficial Owners of the Series 2016 Bonds, confirmation and transfer of beneficial ownership interest in the Series 2016 Bonds and other related transactions by and between DTC, the DTC Participants and Beneficial Owners of the Series 2016 Bonds is based solely on information furnished by DTC to the Issuer for inclusion in this Official Statement. Accordingly, neither the Issuer nor the Corporation makes any representations concerning these matters.

The Depository Trust Company ("DTC") will act as securities depository for the Series 2016 Bonds. The Series 2016 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 2016 Bond certificate will be issued for each maturity of the Series 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 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 2016 Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, interest and principal payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory

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

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2016 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2016 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer, the Corporation nor the Underwriters take responsibility for the accuracy thereof.

NEITHER THE ISSUER, THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2016 BONDS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT, THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2016 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2016 BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2016 BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2016 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2016 BONDS.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Issuer and the Trustee. In addition, the Issuer may terminate the services of DTC if the Issuer determines that continuation of the system of book-entry transfers through DTC is not in the best interests of the Beneficial Owner. If the Book Entry Only System is discontinued, Series 2016 Bond certificates will be delivered as described in the Indenture and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the owner.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS

THE SERIES 2016 BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER NOR A DEBT OR INDEBTEDNESS OF WESTCHESTER COUNTY OR THE STATE OF NEW YORK AND NEITHER WESTCHESTER COUNTY NOR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2016 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE AND THE LOAN AGREEMENT. THE ISSUER HAS NO TAXING POWER.

Sources of Payment for the Series 2016 Bonds

The Series 2016 Bonds are to be issued pursuant to the Indenture and, together with any Additional Bonds which may be issued from time to time under the Indenture, will be equally and ratably secured thereby. Pursuant to the Indenture, a Bond Fund shall be established with the Trustee. Payments by the Corporation in respect of the Debt Service Payments on the Series 2016 Bonds shall be deposited into the Bond Fund, and shall be applied on each payment date for the Series 2016 Bonds to the payment of the principal, including sinking fund installments, of and interest on the Series 2016 Bonds.

Security for the Series 2016 Bonds

Each Obligation and Series of Obligations, including the Series 2016 Obligation, are special obligations of the Obligated Group secured by a pledge of the Gross Receipts and, as and to the extent provided in the Supplemental Indenture, the funds and accounts established under the Master Indenture and the Supplemental Indenture. The Master Indenture provides that the pledge of Gross Receipts is valid, binding and perfected from the time when made as against all parties having claims of any kind in tort, contract or otherwise against any Member of the Obligated Group irrespective of whether such parties have notice thereof. See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

The Corporation and County of Westchester (the "County") entered into that Cooperation Agreement dated December 15, 1998, as amended by First Amendment to Cooperation Agreement dated December 17, 2009, as further amended by the Second Amendment to Cooperation Agreement December 21, 2010 (collectively, the "Cooperation Agreement"). The Cooperation Agreement sets forth the relationship between the County and the Corporation, including certain requirements that the Corporation is required to meet so long as the indebtedness of the Corporation is guaranteed by the County. Pursuant to the Cooperation Agreement, the County was granted a lien on certain collateral of the Corporation, including collateral pledged to the Master Trustee under the Master Indenture. The lien granted to the County secures the Corporation's obligation to make payments for utilities and other services used in the ordinary course of operating the Medical Center. The Corporation does not have any indebtedness outstanding that is guaranteed by the County and therefore the County's lien granted pursuant to the Cooperation Agreement no longer supports any obligation of the Corporation to the County. The Corporation has covenanted in the Master Indenture not to incur any new obligations to the County without receiving the agreement of the County to subordinate its lien on collateral. Furthermore, either party, upon 90 days notice, may terminate the Cooperation Agreement as long as there is no outstanding indebtedness of the Corporation guaranteed by the County. See also "APPENDIX A - Financial Difficulties; Restatement of Relationship with County – Cooperation Agreement."

Security Interest in Gross Receipts

As security for the payment of all Obligations and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under any Obligation, the Corporation has granted, and each future Member of the Obligated Group, if any, is required to grant, to the Master Trustee a security interest in its Gross Receipts. Gross Receipts are defined to include all receipts, revenues, income and other money received by or on behalf of each Member of the Obligated Group from Health Care Facilities, including without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, and the rights to receive the same whether in the form of accounts receivable, contract rights, general intangibles, chattel paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired, other than (i) gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to paying debt service on an Obligation and (ii) all receipts, revenues, income and other moneys received by or on behalf of an Member of the Obligated Group, and all rights to receive the same, whether in the form of accounts receivable, contract rights, general intangibles, chattel paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now owned or hereafter derived from the Excluded Property. Excluded Property means any property that is not Health Care Facilities of the Obligated Group. In addition, the Master Indenture permits the pledge, assignment, sale or other disposition or encumbrance of accounts receivable by the Members of the Obligated Group in an amount not to exceed 50% of the three-month average of outstanding accounts receivable that are 120 days old or less, which

percentage may be increased to 75% if the Long-Term Debt Service Coverage Ratio is 2.00 or greater. The Master Indenture further provides that Gross Receipts includes the receipt of the subsidy to be paid to the Corporation by the United States Department of the Treasury in connection with the Series 2010A Bonds and Series 2010C-1 Bonds payable pursuant to the "Build America Bonds" program.

The Master Indenture

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

Subject to the terms of the Master Indenture, any persons which are not Members of the Obligated Group and corporations which are successor corporations to any Member of the Obligated Group through merger or consolidation as permitted by the Master Indenture may become an additional Member of the Obligated Group. Pursuant to the Master Indenture, the Members of the Obligated Group and any subsequent Member of the Obligated Group are subject to covenants under the Master Indenture relating to maintenance of a Long-Term Debt Service Coverage Ratio and a Cushion Ratio, and restricting, among other things, incurrence of indebtedness, existence of liens on Property, consolidation and merger, disposition of assets, addition of Members of the Obligated Group and withdrawal of Members from the Obligated Group.

The Master Indenture permits each Member of the Obligated Group to encumber its Property with Permitted Liens, as such term is defined in the Master Indenture. Permitted Liens include other liens on real and personal property which may be used to secure borrowings other than pursuant to the Master Indenture. The enforcement of the Obligations may be limited by the following: (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal or State statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction and (v) federal bankruptcy laws, State receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Master Indenture. See "BONDHOLDER'S RISKS – Certain Matters Affecting the Enforceability of the Master Indenture" herein.

Additional Indebtedness

The Master Indenture provides that, subject to the terms, limitations and conditions established in the Master Indenture and with the consent of the Corporation, each Member of the Obligated Group may incur Indebtedness, by issuing Obligations under the Master Indenture or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created under the Master Indenture are subject to certain limitations set forth in the Master Indenture. See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

Each Obligation and Series of Obligations shall be special obligations of the Obligated Group payable solely from and secured by the pledge of the Gross Receipts and, as and to the extent provided in the Supplemental Indenture, the funds and accounts established pursuant to the Master Indenture and pursuant to the Supplemental Indenture. Such additional Obligations will not be secured by the money or investments in any fund or account held by the Master Trustee for the security of the Series 2016 Bonds. The Series 2016 Bonds are not secured by the moneys or investments in any fund or account held by the Master Trustee for the security of any other Obligations. The Obligated Group may, in accordance with the provisions of the Master Indenture, issue a Refunding Obligation or Refunding Obligations of a Series in an aggregate principal amount sufficient, together with other moneys available therefore, to refund all or a portion of all Outstanding Obligations.

Members of the Obligated Group are permitted to incur Indebtedness in accordance with the debt limitations set forth in the Master Indenture. Such borrowing may be secured by Obligations issued under the Master Indenture, liens on Property permitted under the Master Indenture, including liens on Excluded Property,

without limit, or accounts receivable as described above. See "APPENDIX D - Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

Events of Default and Acceleration under the Master Indenture

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

The Master Indenture provides that if an event of default occurs and continues, the Master Trustee may and, upon the written request of the Holders (subject to certain provisions of the Master Indenture with regard to the rights of any Credit Facility Issuer or the County, including the right of the County to approve acceleration of Subordinate Obligations which are benefited by a County Guaranty, as described in APPENDIX A hereto) of not less than 25% in aggregate principal amount of all Senior Obligations Outstanding, shall, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable. At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such acceleration), (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay the expenses of the Master Trustee, (iii) all other amounts then payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee, and (iv) every Event of Default (other than a default in the payment of such Obligations then due only because of such acceleration) shall have been remedied, or waived, then the Master Trustee, upon the written request of the Holders (subject to the provisions of the Master Indenture with regard to the rights of any Credit Facility Issuer or the County) of not less than a majority of the aggregate principal amount of Senior Obligations then Outstanding (or the Holders of not less than a majority in aggregate principal amount of Subordinate Obligations Outstanding if no Senior Obligations are any longer Outstanding), shall annul such declaration and its consequences with respect to any Obligation or portions thereof not then due by their terms. Upon the occurrence of an Event of Default, the County shall have the right, but not the obligation to cure such Event of Default on the same terms and conditions as the Obligated Group may do so under the Master Indenture.

The Master Indenture provides that the Master Trustee shall give notice in accordance with the Master Indenture of each Event of Default known to the Master Trustee to each Credit Facility Issuer, the Ratings Services, the County and all Holders of Bonds within 10 days after it has actual knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any of the Series 2016 Bonds or in the case of default relating to the commencement of bankruptcy proceedings, the

Master Trustee shall be protected in withholding such notice (but not with respect to notice to the County) if the Master Trustee in good faith determines that the withholding of such notice is in the best interests of the Credit Facility Issuer and the Holders.

The Mortgage

The Series 2016 Obligation and the other Outstanding Obligations issued under the Master Indenture are additionally secured by mortgages (collectively, the "Mortgage") on the Corporation's (i) leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between the County and the Corporation (the "Lease Agreement") of real property upon which the facilities constituting the Health Care Facilities of the Medical Center are located, and (ii) fee interest in the Health Care Facilities at MidHudson Regional Hospital in Poughkeepsie, New York, with all proceeds realized from the Mortgage to be applied proportionately and ratably to all Obligations issued under the Master Indenture. The Lease Agreement permits the Corporation, under certain circumstances, to assign, mortgage, pledge or otherwise encumber such leasehold interest. The Mortgage permits the Corporation, under certain circumstances, to obtain a release of a portion of the mortgaged property, other than the improvements constituting the Health Care Facilities of the Medical Center, from the lien of the Mortgage. The Master Indenture provides that the Members of the Obligated Group will not permit the existence of any Lien on Property owned or acquired by it other than the Mortgage and Permitted Liens. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS – The Master Indenture" and "APPENDIX D – Summary of Certain Provisions of the Master Indenture and the Supplemental Indenture" attached hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Series 2016 Bonds:

Sources of Funds:	
Principal Amount	$283,580,000
Net Original Issue Premium	24,637,480
Funds Released Upon Defeasance	7,788,395
Total Sources of Funds	$316,005,875
Uses of Funds:	
Deposit to the Construction Fund	$229,437,286
Deposit for Refunding	60,712,413
Deposit for Capitalized Interest	20,686,486
Costs of Issuance[1]	5,169,690
Total Uses of Funds	$316,005,875

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

In addition, the Corporation plans to (i) contribute equity in the amount of $20,000,000 towards completion of the projects financed with the proceeds of the Series 2016 Bonds and (ii) enter into capital leases for approximately $10,000,000 of equipment to be used in connection with such projects.

PLAN OF FINANCE

The proceeds from the sale of the Series 2016 Bonds and certain other available moneys will be used to (i) finance and reimburse the Corporation for all or a portion of certain routine and other capital projects at the Corporation's facilities, including (a) construction and equipping of the Corporation's Ambulatory Care Pavilion,

(b) lobby renovations and enhancements on the main hospital campus, and (c) improvements and reconfiguration of parking to accommodate the new facilities; (ii) advance refund a portion of the Corporation's $78,380,000 aggregate principal amount of Revenue Bonds, Series 2010B (Tax-Exempt) – Senior Lien and $32,410,000 aggregate principal amount of Revenue Bonds, Series 2010C-2 (Tax-Exempt) – Senior Lien; (iii) fund capitalized interest on the Series 2016 Bonds and (iv) pay costs related to the issuance of the Series 2016 Bonds. See APPENDIX A – "STRATEGY AND FUTURE PLANS – 2016 Capital Projects" for a more detailed description of the capital projects described herein.

FORECASTED DEBT SERVICE REQUIREMENTS

The following table sets forth the amount required to be paid by the Obligated Group during each twelve-month period ending November 1 of the years shown for the payment of the interest on any Outstanding Bonds and Series 2016 Bonds payable on May 1 and November 1 of such year and the principal and Sinking Fund Installments of any Outstanding Bonds and Series 2016 Bonds payable on November 1 of such year and the aggregate payments to be made during each such period with respect to all obligations.

	Series 2016 Bonds				
Year Ended November 1,	**Principal**	**Interest**	**Total***	**Outstanding Bonds****	**Total Debt Service***
2016	$ 300,000	$ 7,932,794	$ 8,232,794	$36,663,785	$44,896,579
2017	160,000	13,525,625	13,685,625	35,681,323	49,366,948
2018	165,000	13,519,225	13,684,225	34,322,281	48,006,506
2019	2,145,000	13,512,625	15,657,625	31,354,221	47,011,846
2020	2,255,000	13,405,375	15,660,375	30,266,678	45,927,053
2021	2,565,000	13,292,625	15,857,625	28,662,380	44,520,005
2022	2,685,000	13,164,375	15,849,375	28,662,347	44,511,722
2023	2,815,000	13,030,125	15,845,125	28,658,847	44,503,972
2024	2,955,000	12,889,375	15,844,375	28,663,765	44,508,140
2025	3,100,000	12,741,625	15,841,625	28,509,113	44,350,738
2026	3,245,000	12,586,625	15,831,625	28,508,231	44,339,856
2027	3,400,000	12,424,375	15,824,375	28,509,631	44,334,006
2028	5,280,000	12,254,375	17,534,375	26,796,598	44,330,973
2029	5,440,000	11,990,375	17,430,375	26,884,463	44,314,838
2030	2,825,000	11,718,375	14,543,375	39,239,035	53,782,410
2031	3,685,000	11,577,125	15,262,125	27,337,581	42,599,706
2032	3,875,000	11,392,875	15,267,875	27,504,697	42,772,572
2033	4,065,000	11,199,125	15,264,125	25,188,296	40,452,421
2034	5,805,000	10,995,875	16,800,875	23,923,963	40,724,838
2035	18,700,000	10,705,625	29,405,625	11,341,365	40,746,990
2036	19,220,000	10,004,375	29,224,375	11,395,721	40,620,096
2037	12,890,000	9,283,625	22,173,625	18,437,608	40,611,233
2038	4,585,000	8,800,250	13,385,250	28,003,343	41,388,593
2039	4,810,000	8,571,000	13,381,000	28,000,933	41,381,933
2040	5,055,000	8,330,500	13,385,500	27,987,112	41,372,612
2041	20,250,000	8,077,750	28,327,750	5,432,594	33,760,344
2042	24,910,000	7,065,250	31,975,250	1,780,300	33,755,550
2043	26,160,000	5,819,750	31,979,750	1,779,400	33,759,150
2044	27,465,000	4,511,750	31,976,750	1,778,700	33,755,450
2045	30,620,000	3,138,500	33,758,500	--	33,758,500
2046	32,150,000	1,607,500	33,757,500	--	33,757,500
TOTAL*	$283,580,000	$319,068,769	$602,648,769	$701,274,310	$1,303,923,080

* Total may not add due to rounding.

** Includes debt service on the bonds and leases described under the caption "INTRODUCTION – Existing Indebtedness," which includes Build America Bonds subsidies in connection with the Series 2010A Bonds and Series 2010C-1 Bonds. Assumes 2.20% interest for the Series 2010D Bonds. Actual interest rates may be higher.

CERTAIN BONDHOLDERS' RISKS

AN INVESTMENT IN THE SERIES 2016 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE PURCHASER OF THE SERIES 2016 BONDS IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. REFER TO THE SECTION "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS" AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2016 BONDS. The factors listed below, among others, could adversely affect the Obligated Group's operations, revenues and expenses for the Project to an extent and in a manner which cannot be determined at this time.

General

The Series 2016 Bonds are special obligations of the Issuer payable solely from the amounts payable under the Series 2016 Obligation, certain payments under the Loan Agreement, the Master Indenture and other funds held pursuant to the Indenture (excluding the Rebate Fund). The Issuer has no taxing power.

The Series 2016 Bonds may be redeemed earlier or later than described above under "THE SERIES 2016 BONDS - Redemption Prior to Maturity" due to various factors.

Adequacy of Revenues

Except to the extent otherwise noted herein, the Series 2016 Bonds are payable solely from the payments required to be made by the Corporation to the Issuer under the Loan Agreement. No representation or assurance can be made that revenues will be realized by the Corporation in amounts sufficient to pay maturing principal of, redemption premium, if any, and interest on the Series 2016 Bonds. The ability of the Corporation to make payments under the Loan Agreement and the ability of the Issuer to make payments on the Series 2016 Bonds under the Indenture depends, among other things, upon the capabilities of management of the Corporation and the ability of the Corporation to maximize revenues under various third party reimbursement programs and to minimize costs and to obtain sufficient revenues from its operations to meet such obligations. Revenues and costs are affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. The risk factors discussed below should be considered in evaluating the ability of the Corporation and future Members of the Obligated Group, if any, to make payments in amounts sufficient to meet their obligations under the Loan Agreement, the Master Indenture and the Series 2016 Obligation. This discussion is not, and is not intended to be, exhaustive.

The ability of the Corporation and future Members of the Obligated Group, if any, to make required payments on the Series 2016 Obligation is subject to, among other things, the capabilities of the management of the Members of the Obligated Group and future economic and other conditions, which are unpredictable and which may affect revenues and costs and, in turn, the payment of principal of, premium, if any, and interest on the Series 2016 Bonds. Future revenues and expenses of the Obligated Group will be affected by events and conditions relating generally to, among other things, demand for the Obligated Group's services, its ability to provide the services required by patients, physicians' relationships with the Obligated Group, patient and physician satisfaction with the Obligated Group and its facilities, management capabilities, the design and success of the Obligated Group's strategic plans, demographic, financial and economic developments in the United States, the State and the Obligated Group's service area, the Obligated Group's ability to control expenses, maintenance by the Members of the Obligated Group of relationships with Managed Care Organizations ("MCOs") and PPOs (as defined herein), competition, rates, costs, third party reimbursement, legislation and governmental regulation. The ability of the Obligated Group to operate successfully over the life of the Series 2016 Bonds may also be dependent upon its ability to finance, acquire and support additional capital replacements and improvements, which ability will be affected by legislation, regulations and applicable principles of reimbursement. Federal and state statutes and regulations are the subject of intense legislative debate and are likely to change, and unanticipated events and circumstances may occur which cause variations from the Obligated Group's expectations, and the variations may be material. The Issuer has not made any independent investigation of the extent to which any such factors may have an adverse impact on the financial condition of the Members of the Obligated Group. THERE CAN BE NO

ASSURANCE THAT THE REVENUES OF THE MEMBERS OF THE OBLIGATED GROUP OR UTILIZATION OF THEIR FACILITIES WILL BE SUFFICIENT TO ENABLE THE MEMBERS OF THE OBLIGATED GROUP TO MAKE SUCH PAYMENTS.

None of the provisions, covenants, terms and conditions of the Master Indenture or the Loan Agreement will afford the Trustee any assurance that the principal and interest owing under the Series 2016 Obligation (which, except for money held under the Indenture and the other collateral securing the Series 2016 Bonds, constitute the sole source of funds for the payment of the Series 2016 Bonds) will be paid as and when due, if the financial condition of the Obligated Group deteriorates to a point where the Members of the Obligated Group are unable to pay their debts as they come due, or otherwise become insolvent.

Event of Taxability of Series 2016 Bonds

If the Issuer and the Corporation do not comply with certain covenants set forth in the Loan Agreement and the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, executed by the Issuer and the Corporation with respect to the Series 2016 Bonds (including all attachments thereto) (the "Tax Certificate"), or if certain representations or warranties made by the Corporation in the Loan Agreement and made by the Issuer and the Corporation in the Tax Certificate or in certain certificates of the Corporation are false or misleading, the interest paid or payable on the Series 2016 Bonds may become subject to inclusion in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2016 Bonds, regardless of the date on which such noncompliance or misrepresentation is ascertained. In the event that the interest on the Series 2016 Bonds becomes subject to inclusion in gross income for federal income tax purposes, the Indenture does not provide for payment of any additional interest on the Series 2016 Bonds, the redemption of the Series 2016 Bonds or the acceleration of the payment of principal on the Series 2016 Bonds.

Impact of Market Turmoil

In 2010 Congress enacted and the President approved the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Additional legislation is under active consideration by Congress and regulatory action is being considered by various federal agencies, the Federal Reserve Board and foreign governments which legislation is intended to increase the regulation of financial institutions and domestic and global credit and securities markets. The continued effects of these legislative, regulatory and other governmental actions, including the Dodd-Frank Act, upon the Corporation and any other present and future Members of the Obligated Group and, in particular upon their access to capital markets and their investment portfolios, cannot be predicted.

The healthcare sector has been adversely affected as a direct consequence of the disruption of the credit and financial markets. The consequences of these developments have generally included, realized and unrealized investment portfolio losses, reduced investment income, limitations on access to the credit markets, and difficulties in remarketing revenue bonds subject to tender. Patient service revenues and inpatient volumes have not increased as historic trends would otherwise indicate. Reduced employment and personal income have resulted in increases in self-pay admissions, increased levels of bad debt and uncompensated care, reduced demand for elective procedures, and reduced availability and affordability of health insurance. The last recession has also increased stresses on state budgets, which could potentially result in reductions in Medicaid payment rates or Medicaid eligibility standards, and delays of payment of amounts due under Medicaid and other state or local payment programs.

Health Care Reform

As a result of the Patient Protection and Affordable Care Act, enacted in March 2010, as amended by the Health Care and Education Reconciliation Act (the "ACA"), substantial changes have occurred and are anticipated in the United States health care system. The ACA is impacting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. Some of the provisions of the ACA took effect immediately or within a few months of final approval, while others were or will be phased in over time, ranging from one year to ten years. Because of the complexity of the ACA generally, additional legislation may be considered and enacted over time. The ACA has also required, and will continue to require, the promulgation of substantial regulations with significant effects on the health care industry. Thus, the health care industry is the subject of significant new statutory and regulatory

requirements and consequently to structural and operational changes and challenges for a substantial period of time. The full ramifications of the ACA may also become apparent only over time and through later regulatory and judicial interpretations. Portions of the ACA have already been limited and nullified as a result of legislative amendments and judicial interpretations and future actions may further change its impact. The uncertainties regarding the implementation of the ACA create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a risk.

The changes in the health care industry brought about by the ACA will likely have both positive and negative effects, directly and indirectly, on the nation's hospitals and other health care providers, including the Members of the Obligated Group. For example, the projected increase in the numbers of individuals with health care insurance occurring as a consequence of Medicaid expansion, creation of health insurance exchanges, subsidies for insurance purchase and the penalty on certain individuals who do not purchase insurance could result in lower levels of bad debt and increased utilization or profitable shifts in utilization patterns for hospitals. However, the extent to which Medicaid expansion, which is now optional on a state by state basis, is either not pursued or results in a shifting of significant numbers of commercially-insured individuals to Medicaid, or health insurance options on exchanges are limited or unaffordable, as well as the cost containment measures and pilot programs that the ACA requires, may offset these benefits. A negative impact to the hospital industry overall will likely result from scheduled cumulative reductions in Medicare payments; such reductions are substantial. The legislation's cost-cutting provisions to the Medicare program, which include reductions in Medicare market basket updates to hospital reimbursement rates under the inpatient PPS (as hereinafter defined) over the next ten years, as well as reductions to or elimination of Medicare reimbursement for certain patient readmissions and hospital-acquired conditions and anticipated reductions in rates paid to Medicare managed care plans, will likely result in a significant negative impact to the hospital industry overall. Industry experts also expect that government cost reduction actions may be followed by private insurers and payors. Because a significant portion of net patient service revenue of the Obligated Group is from Medicare spending, the reductions may have a material impact, and could offset any positive effects of the ACA.

Health care providers likely will be further subjected to decreased reimbursement as a result of the implementation of recommendations of the Independent Payment Advisory Board ("IPAB"). The ACA directs the IPAB to make recommendations to reduce Medicare cost growth if such growth exceeds legislated targets. The IPAB's recommended reductions will be automatically implemented unless Congress adopts alternative legislation that meets equivalent savings targets. While hospitals are largely exempted from the recommendations from the IPAB, the impact on providers may filter up to hospitals, and industry experts also expect that government cost reduction actions may be followed by private insurers and payors. The IPAB was to begin submitting its annual recommendations no later than January 15, 2014. However, President Obama has yet to appoint the members of the IPAB. On March 30, 2015, the Supreme Court declined to review *Coons v. Lew*, a decision by the U.S. Court of Appeals for the Ninth Circuit, holding that the plaintiffs' challenge to the IPAB was not ripe. This action leaves the IPAB in place. Bills repealing the IPAB have been introduced since 2011, including a House bill during the 2015 legislative session. Hospitals are not subject to cost reductions proposed by the IPAB until after 2019. Industry experts also expect that government cost reduction actions may be followed by private insurers and payors.

Beginning in 2014, the ACA created "health insurance exchanges" to provide consumers with improved access to health insurance. The ACA provides that such exchanges may be either state-sponsored or federally-facilitated exchanges. Beginning January 1, 2015, health insurers participating in the health insurance exchanges are allowed to contract only with hospitals that have implemented programs designed to ensure patient safety and enhance the quality of care. The health insurance exchanges may have positive impact for hospitals by increasing the availability of health insurance to individuals who were previously uninsured. Conversely, employers or individuals may shift their purchase of health insurance to new plans offered through the exchanges, which may or may not reimburse providers at rates equivalent to rates the providers currently receive. The exchanges could alter the health insurance markets in ways that cannot be predicted, and exchanges might, directly or indirectly, take on a rate-setting function that could negatively impact providers. Because the exchanges are still so new, the effects of these changes upon the financial condition of any third-party payor that offers health insurance, rates paid by third-party payors to providers and, thus, the revenues, results of operations and financial condition of the Members of the Obligated Group, cannot be predicted.

Healthcare.gov, the health care exchange website created by the federal government under the provisions of the ACA, launched on October 1, 2013. The website is designed to allow residents of states, which opted not to create their own state exchanges or to enter into a partnership with the federal government to purchase health insurance or qualify for Medicaid coverage. The website faced serious technical problems on its launch and for a period thereafter, making it difficult for individuals to purchase health insurance. Under the ACA, uninsured Americans had until March 31, 2014, to purchase insurance through the health care exchanges or other venues, or face a financial penalty.

Additionally, the administration delayed the effective date of certain aspects of the ACA such as the requirement that businesses with more than 50 employees provide health insurance to their workers or pay a penalty, of which the deadline was delayed to January 1, 2015 for employers with 100 or more full-time employees and January 1, 2016 for employers with 50 to 99 full-time employees. In response to difficulties faced by individuals who received cancellation notices regarding plans that that did not meet the coverage requirements for the ACA, the administration has granted those individuals an exception from the ACA's individual mandate, which requires individuals to have health insurance or face a penalty for tax year 2014. Those individuals may now obtain catastrophic coverage, which is basic coverage generally available to those under 30 or who meet a hardship exemption; the administration announced that it is granting a "hardship exemption" to individuals whose plans were cancelled and might be having difficulty paying for standing coverage. Similarly, delaying the ACA adjusted community rating provisions for grandfathered small group plans temporarily stabilizes renewal rates for many small employers with young, healthy employees in many markets. But when this delay expires, many of these small employers will receive significant rate increases as they are moved toward an average "community" rate.

High deductible insurance plans have become more common in recent years and the ACA is expected to continue the increase in high deductible insurance plans as the health care exchanges include a variety of plans, several of which offer lower monthly premiums in return for higher deductibles. Many plans offered on the exchanges have high deductibles. High deductible plans may contribute to lower inpatient volumes as patients may forgo or choose less expensive medical treatment to avoid having to pay the costs of the high deductibles. There is also a potential concern that some patients with high deductible plans will not be able to pay their medical bills as they may not be able to cover their high deductible resulting in increased levels of bad debt.

The ACA will likely affect some health care organizations more than others, depending, in part, on how each organization adapts to the legislation's emphasis on directing more federal health care dollars to integrated provider networks and providers with demonstrable achievements in quality care. The ACA proposes a value-based purchasing system for hospitals under which a percentage of payments will be contingent on satisfaction of specified performance measures related to common and high-cost medical conditions, such as cardiac, surgical and pneumonia care. The ACA also funds various demonstration programs and pilot projects and other voluntary programs to evaluate and encourage new provider delivery models and payment structures, including "accountable care organizations" and bundled provider payments. Many private commercial insurers have adopted similar programs with risk-bearing, shared-savings opportunities for providers that can meet certain performance targets.

On January 26, 2015, the Department of Health and Human Services ("DHHS") announced a timetable for transitioning Medicare payments from the traditional fee-for-service model to a value-based payment system. This schedule calls for tying 30% of traditional Medicare fee-for-service payments to quality or value through alternative payment models, such as accountable care organizations or bundled payment arrangements, by the end of 2016, increasing to 50% by 2018. In addition, DHHS has proposed that by 2016, 85% of all Medicare fee-for-service payments have a component based on quality or efficiency of care, such as value-based purchasing or readmission reductions, increasing to 95% by 2018. As of the date of such announcement, approximately 20% of Medicare's fee-for-service payments are made through alternative delivery models, and 80% of fee for service payments have a component based upon quality or efficiency of care, up from almost none in 2011.

The outcomes of these projects and programs, including the likelihood of their revision or expansion or their effect on health care organizations' revenues or financial performance cannot be predicted.

The ACA is projected to expand access to Medicaid and the scope of services covered thereunder. With respect to access, Medicaid is expected to cover all individuals with incomes of less than 138% of the federal poverty level. The law also allows states, beginning in 2014, to expand Medicaid eligibility to non-elderly, non-

pregnant individuals who are not otherwise eligible for Medicare, if they have incomes of less than 138% of the federal poverty level. To assist states with the cost of covering such newly eligible individuals, the federal government will pay 100% of the new cost for a limited number of years. Thereafter, the cost share is expected to decrease to 90%. However, as stated above, the U.S. Supreme Court's decision made the decision to expand Medicaid an option for each state. In the event a state chooses not to participate in the expanded Medicaid program, the net effect of the reforms in the ACA could be significantly reduced. Additionally, Medicaid reimbursement rates differ by state and the effect of expanded Medicaid enrollment must be determined on a state-by-state basis.

The ACA contains amendments to existing criminal, civil and administrative anti-fraud statutes and increases in funding for enforcement efforts to recoup prior federal health care payments to providers. Under the ACA, a broad range of providers, suppliers and physicians are required to adopt a compliance and ethics program. While the government has already increased its enforcement efforts, failure to implement certain core compliance program features provides new opportunities for regulatory and enforcement scrutiny, as well as potential liability if an organization fails to prevent or identify improper federal health care program claims and payments.

Broadly speaking, the provisions of the ACA that encourage or mandate health care coverage for individuals can be expected to increase demand for health care and reduce the amount of uncompensated care that the Members of the Obligated Group provide. However, revisions to the Medicare reimbursement program could reduce revenues. Therefore, the impact of the ACA on the operations of the Obligated Group cannot be currently ascertained and it may have a material adverse impact thereon.

Efforts to repeal or substantially modify provisions of the ACA continue. On June 28, 2012, the Supreme Court upheld most provisions of the ACA, while limiting the power of the federal government to penalize states for refusing to expand Medicaid. The Supreme Court ruled on various legal challenges to portions of the ACA, finding that its individual mandate was constitutional as a valid exercise of Congress's taxing power but that its Medicaid expansion provisions were improperly coercive on the states to the extent existing Medicaid funding was put at risk if a state opted out of the ACA's expansion of the current Medicaid program. In July 2014, two federal appeals courts issued conflicting rulings with respect to the ACA on whether the federal government could subsidize health insurance premiums in states that use the federal health insurance exchange. On June 25, 2015, the Supreme Court of the United States issued its opinion in *King v. Burwell* holding that the tax credit subsidies provided in the ACA apply equally to state-run exchanges and the federal exchange, obviating the potential disparate treatment of program participants nationally. Efforts to repeal or delay the implementation of the ACA continue in Congress. The ultimate outcomes of legislative attempts to repeal or amend the ACA and other legal challenges to the ACA are unknown and their impact on the Obligated Group's operations cannot be determined at this time.

The Obligated Group is analyzing the ACA and will continue to do so in order to assess its effects on current and projected operations, financial performance and financial condition. However, management of the Obligated Group cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation.

New York State Department of Health Regulations

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

Healthcare Environment

As nonprofit tax exempt organizations, the Members of the Obligated Group are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organizations and operations, including their operations for charitable purposes.

Recently, an increasing number of the operations or practices of healthcare providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for nonprofit tax exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in some cases are an attempt to examine core business practices of healthcare organizations. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care methods of providing and reporting community benefit, executive compensation, exemption of property from real property taxation, private use of facilities financed with tax-exempt bonds and others. These challenges and questions have come from a variety of sources, including state attorneys general, the IRS, labor unions, Congress, state legislatures, and patients, and in a variety of forums, including hearings, audits and litigation. These challenges or examinations include the following, among others:

Bond Audits. IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector, with specific review of private use. In addition, the IRS has sent several hundred post-issuance compliance questionnaires with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire includes questions relating to the obligor's (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of bond-financed property, (iii) arbitrage yield restriction and rebate requirements, (iv) debt management policies and (v) voluntary compliance and education. IRS representatives indicate that after analyzing responses from the first wave of questionnaires, thousands more will be sent.

The IRS has also added a new schedule (Schedule K) to IRS Form 990. This schedule requests detailed information related to all outstanding bond issues of nonprofit borrowers, including information regarding operating, management and research contracts as well as private use compliance. There can be no assurance that the issuance of surveys will not lead to an IRS review that could adversely affect the market value of the Series 2016 Bonds or of other outstanding tax-exempt indebtedness of the Members of the Obligated Group. Additionally, the Series 2016 Bonds or other tax-exempt obligations issued for the benefit of the Members of the Obligated Group, may be, from time to time, subject to examinations by the IRS. The Corporation believes that the Series 2016 Bonds and other tax-exempt obligations issued for the benefit of the Members of the Obligated Group, properly comply with the tax laws.

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.

The foregoing are some examples of the challenges and examinations facing nonprofit healthcare organizations. They are indicative of a greater scrutiny of the billing, collection and other business practices of these organizations, and may indicate an increasingly more difficult operating environment for healthcare organizations. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on the Obligated Group.

Charity Care. Hospitals are permitted to qualify for tax-exempt status under the Code because the provision of health care historically has been treated as a "charitable" enterprise. This treatment arose before most Americans had health insurance, when charitable donations were required to fund the health care provided to the sick and disabled. Some commentators and others have taken the position that, with the onset of employer health insurance and governmental reimbursement programs, there is no longer any justification for special tax treatment

for the health care industry, and the availability for tax-exempt status should be eliminated. Management of the Corporation, on behalf of the Obligated Group, considers the likelihood of such a dramatic change in the law to be remote; nevertheless, federal and state tax authorities are beginning to demand that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits. Charity care issues also serve as the basis of certain claims against major hospital systems throughout the United States on behalf of uninsured patients.

Risks Related to Rules Governing Reimbursement for Healthcare Services

The Medicare and Medicaid Programs. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, disabled or qualify for the End Stage Renal Disease Program. Medicare is administered by CMS, of the federal Department of Health and Human Services. Medicaid is funded jointly by the federal government and the states and provides medical assistance to certain needy individuals and families. Significant changes have been and may be made in the Medicare and Medicaid programs that could have a material adverse impact on the financial condition of the Obligated Group, for example, by decreasing the amount of reimbursement for services. In addition, the requirements for Medicare and Medicaid certification are subject to change, and to remain qualified for participation in such programs, it may be necessary for the Members of the Obligated Group to effect changes from time to time in their facilities, equipment, personnel, billing processes, policies and services.

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

The PPS standardized base rates are updated annually based on a statistical estimate of the increase (the "update factor") in the cost of goods and services used by hospitals in providing care (the "market basket"). Currently, the update factor equals the percentage increase in the market basket, but from time to time Congress has set updates legislatively that are less than the market basket. CMS annually analyzes and in some cases proposes rules to rebase and revise the manner in which the market basket is calculated.

Hospitals receive additional payment for cases that exceed MS-DRG-specific cost thresholds, referred to as "outlier payments". In addition, hospitals that satisfy specific program requirements may be eligible to receive additional revenue to defray the costs of organ procurement and treatments that use new technologies.

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

Teaching hospitals receive increases to their Medicare PPS reimbursement for costs related to training physicians and other medical professionals (graduate medical education ("GME") payments), as well as for providing care to a high level of Medicaid and disabled patients (disproportionate share payments or DSH payments). There are two forms of payment for GME: Direct Graduate Medical Education ("DGME") and Indirect Medical Education ("IME") payments. DGME payments support the direct costs of training (*e.g.*, resident stipends, supervision), while IME payments support the higher infrastructure relating to teaching, greater patient acuity and the extensive "stand-by" capabilities of teaching hospitals. While a MedPAC recommendation and CMS proposed rule both have suggested reducing the level of IME adjustments, such reduction has not yet been implemented.

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

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

EMTALA requires hospitals to provide a medical screening examination to any individual who comes to the hospital's dedicated emergency department ("DED") for treatment, without regard to ability to pay, to determine whether the individual suffers from an emergency medical condition within the meaning of the statute. A DED is licensed by the state in which it is located as an emergency room or department, or is held out to the public as a place providing care for emergency medical conditions without requiring an appointment or during the immediately preceding calendar year, provided treatment of emergency medical conditions without requiring an appointment for at least one-third of all of its out-patient visits. A participating hospital may not delay provision of a medical screening examination in order to inquire about method of payment or insurance status. If an emergency medical condition is present, the hospital must provide such additional medical examination and treatment as may be required to stabilize the emergency medical condition. If the hospital deems it in the best interest of the individual to transfer the individual to another medical facility, the treating physician must execute a transfer certificate complying with the standards of the EMTALA and must provide a medically appropriate transfer.

EMTALA imposes significant costs on hospitals, including the costs of treatment of individuals who may not be able to pay for such services, costs of development and implementation of protocols concerning medical screening examinations and stabilization and appropriate transfers and, in some cases, costs associated with assuring on-call availability of special physicians.

If a hospital with 100 beds or more violates EMTALA, whether knowingly and willfully or negligently, it is subject to a civil money penalty of up to $50,000 per violation. Failure to satisfy the requirements of EMTALA may also result in termination of the hospital's provider agreement. In addition, EMTALA creates a private cause of action for individuals who suffer personal harm as a result of an EMTALA violation, and for any hospital that suffers financial loss as a result of another hospital's violation of EMTALA. The statute of limitations for filing such a civil action is two years.

The Medicare reimbursement rules are reviewed, and many of them are revised, annually based on recommendations from government advisory commissions, such as MedPAC, and other sources, including health care providers. In the future, some revisions of these rules may lead to a decrease in Medicare reimbursement received by Members of the Obligated Group. The Medicare program has experienced frequent legislative, regulatory and administrative revisions in its payment methodologies and other provisions, many of which have sought to reduce the rate of increase in the cost of the program. It is likely that revisions will continue, some of which may adversely affect the Medicare reimbursement which Members of the Obligated Group receive.

On November 13, 2015, CMS released its finalized policies relating to the "Two-Midnight" rule regarding when inpatient admissions are appropriate for payment under Medicare Part A. Effective March 1, 2016, the finalized proposal will continue CMS' long-standing emphasis on the importance of a physician's medical judgment in meeting the needs of Medicare beneficiaries. In the final rule, CMS modified an "exception" policy to allow the two-midnight benchmark to be determined on a case-by-case basis by the physician responsible for the care of the beneficiary, subject to medical review. These updates were included in the calendar year 2016 Hospital Outpatient

Prospective Payment System (OPPS) proposed rule. Management cannot predict with any degree of certainty the effects the implementation of the rule may have on the Obligated Group's operations or financial results.

Medicare Advantage. Medicare Advantage plans are alternate insurance products offered by private companies that engage in direct managed care risk contracting with the Medicare program. Under the Medicare Advantage program these private companies agree to accept a fixed, per-beneficiary payment from the Medicare program to cover all care that the beneficiary may require. In recent years, a similar program involving private insurers providing coverage to Medicare beneficiaries, known as the Medicare+Choice program, failed after changes were made to its funding methodologies and many private managed care companies discontinued their participation. The result was that the beneficiaries who were covered by the now-discontinued Medicare+Choice plans shifted back into the traditional Medicare fee-for-service program or into a Medicare cost plan.

Future legislation or regulations may decrease the financial incentives available to private insurers who offer Medicare Advantage plans and cause some of them to no longer offer those plans. This would likely increase the burdens of the traditional Medicare program as payment obligations revert from private insurers to the Federal government. Other legislative or regulatory changes to the Medicare Advantage program could occur that might increase or decrease its popularity and level of acceptance among Medicare beneficiaries. The effect of such future legislation/regulation is unknown but could materially and adversely affect the Obligated Group.

The costs of providing a unit of care may exceed the revenues realized from Medicare for providing that service. Additionally, the aggregate costs to a hospital of providing care to Medicare beneficiaries may exceed aggregate Medicare revenues received during the relevant fiscal period.

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

Reimbursement of Hospital Capital Costs. Hospital capital costs apportioned to Medicare patient use (including depreciation and interest) are paid by Medicare exclusively on the basis of a standard federal rate (based upon average national costs of capital), subject to limited adjustments specific to the hospital. There can be no assurance that future capital related payments will be sufficient to cover the actual capital related costs of the Obligated Group's facilities applicable to Medicare patient stays or will provide flexibility for hospitals to meet changing capital needs.

Payment for Physician Services. The Medicare program pays for physician services on the basis of a resource based relative value scale fee schedule. The fee schedule uses three types of relative value units ("RVUs") to determine the amount of payment for a particular physician service: (1) physician work; (2) practice expense; and (3) malpractice expense. The RVUs are adjusted by a geographic adjustment factor, then multiplied by a national conversion factor. The conversion factor is adjusted annually by (1) an inflation factor (as measured by a Medicare Economic Index ("MEI")) and (2) a target factor (until 2015, as measured by a Sustainable Growth Rate ("SGR")). The target factor specifies a desired rate of growth in Medicare expenditures on physician services in a given fiscal year. If the actual rate of growth in Medicare payments to doctors for a fiscal year exceeds the target, the MEI for the next calendar year is reduced, while if the rate of growth is lower than the target, the MEI is increased. The SGR formula was linked to changes in the U.S. Gross Domestic Product over a ten-year period. Use of the SGR in determining physician fee schedule updates was widely criticized as an unworkable formula. On April 16, 2015, President Obama signed a bill into law, the Medicare Access and CHIP Reauthorization Act of 2015 ("MACR"), which ended use of the SGR. The measure went into effect in July 2015.

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

to low-income beneficiaries. In 2006 and later, Part D provides subsidized access to drug insurance coverage on a voluntary basis for beneficiaries.

The Medicare Board of Trustees delivered its annual report (the "Annual Report") to Congress on May 12, 2009. The Annual Report indicated that the HI Trust Fund is not adequately financed and is projected to be exhausted in 2017, two years earlier than projected in 2008. The trustees project that total Medicare expenditures and scheduled tax income are significantly out of balance and substantial increases in tax revenues and/or reductions in expenditures are required to stabilize the HI Trust Fund. The Part B and Part D accounts in the SMI Trust Fund are adequately financed over the next 10 years because premiums and general revenue income are reset each year to match expected costs. Such financing, however would have to increase rapidly to match expected expenditure growth and to rebuild the Part B assets to an appropriate level. The trustees express the need for timely action to address Medicare's financial challenges and promote consideration of reforms for the program in the near future. Accordingly, it is likely that statutory and regulatory attempts to contain increases in Medicare costs will continue in the future.

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

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

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

State Children's Health Insurance Program

The State Children's Health Insurance Program ("SCHIP") provides federal matching funds to states that cover 65% to 84% of the costs of health care coverage, primarily for low-income children. CMS administers SCHIP, but each state creates its own program based on minimum federal guidelines, or the state may apply for a waiver, which allows the state to create its own program using the federal funds, but often with different criteria for eligibility. New York's SCHIP program, known by its marketing name Child Health Plus, was created by the New York Legislature in 1990.

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

Private Health Plans and Insurers

Certain private insurance companies contract with hospitals and other providers on an "exclusive" or a "preferred" provider basis and have introduced plans known as "preferred provider organization plans" ("PPOs"). Under such PPOs, there generally are financial incentives for enrollees to use those contracted, *i.e.*, participating, providers. Under certain MCO plans, private payers may direct patients away from non-participating hospitals and physicians by limiting coverage for services provided by them.

Many MCOs and PPOs currently pay participating hospitals based on a negotiated fee schedule for services provided, such as a per diem or case rate, which usually is discounted from the typical charges for the services provided. As a result, the discounts offered to MCOs and PPOs may result in payment to a hospital that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections, and/or changes in the utilization may be dramatic and unexpected, thus jeopardizing the provider's ability to manage this component of revenue and cost.

Often, payer contracts are enforceable for a stated term, regardless of a hospital's losses and may require a hospital to care for MCO and PPO enrollees for a certain time period, regardless of whether the MCO or PPO is able to pay the hospital. Hospitals from time to time have disputes with payers concerning payment and contract interpretation issues.

Legislative and Regulatory Actions Affecting Health Care Facilities

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

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

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

Federal Fraud and Abuse Law. In recent years, both the federal and state governments have increased enforcement of laws designed to combat health care fraud and practices that the governments regard as abusive, and additional fraud legislation has been adopted at both federal and state levels. Under the federal Medicare Medicaid Fraud and Abuse Amendments of 1977 to the Social Security Act, as amended (the "Anti-Kickback Law"), it is a felony to knowingly and willfully offer, pay, solicit or receive any remuneration (including any kickback, bribe or rebate) directly or indirectly, overtly or covertly, in cash or in kind in order to induce business for which reimbursement is provided, in whole or in part, under a federal health care program, including Medicare and Medicaid. Penalties for each violation of the Anti-Kickback Law include criminal fines and civil monetary penalties. Moreover, some courts have held that a violation of the Anti-Kickback Law may form the basis for a Federal False Claims Act suit (see discussion below). The statute does include some exceptions, and federal regulations establish numerous "safe harbors." Arrangements that meet the safe harbor requirements are deemed not to be violations of the Anti-Kickback Law. Failure to comply with the safe harbors, however, does not mean that

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

The scope of the Anti-Kickback Law prohibition is, however, broadly drafted and liberally interpreted by some federal regulators and enforcement authorities. Thus, the Anti-Kickback Law may create liability in connection with a wide range of economic arrangements involving managed care entities, hospitals, physicians and other health care providers, including joint ventures, space and equipment rentals, purchases of physician practices, managed care arrangements, and management and personal services contracts. While the Corporation believes the Obligated Group's arrangements currently comply with the Anti-Kickback Law, the ambiguity and breadth of the law mean that there can be no assurance that enforcement authorities or courts of law would agree.

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

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

Penalties for noncompliance with the above referenced statutes can be substantial and could include criminal or civil liability and/or exclusion from participation in Medicare, Medicaid and other health programs. Based on their internal processes, the Corporation believes that it (and the other Members of the Obligated Group) is in compliance with the above referenced statutes; however, there can be no assurance that enforcement authorities would agree.

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

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

The New York Health Care Practitioner Referral Law (the "State Provisions") is similar to the Stark Law; however, it covers all patients (irrespective of payor) and prohibits practitioners from referring a patient to a health care provider for clinical laboratory services, x-ray imaging services, radiation therapy services, physical therapy, or pharmacy services if the referring practitioner (or an immediate family member) has a financial interest in the health care provider.

A financial relationship, for purposes of the Stark Law and State Provisions (the Stark Law and State Provisions are hereinafter collectively referred to as "Stark"), is defined as either an ownership or investment

interest in the entity or a compensation arrangement between the practitioner (or immediate family member) and the entity. An ownership or investment interest may be through equity, debt, or other means and includes an interest in an entity that holds an ownership or investment interest in an entity providing the designated health services. Many ordinary business practices and economically desirable arrangements with physicians would constitute "financial relationships" within the meaning of Stark.

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

Violations of Stark can result in denial of payment, substantial civil money penalties, and exclusion from the Medicare and Medicaid programs. In certain circumstances, knowing violations may also create liability under the FCA. Enforcement actions for any such violations could have a material adverse impact on the financial condition of a health care provider, including the Members of the Obligated Group.

The Corporation and the other Members of the Obligated Group have and may have in the future various relationships with physicians that may be characterized as financial arrangements under the Stark Law and/or the State self-referral statute. The statutes and interpretive regulations contain numerous ambiguities and are subject to varying interpretations. Under these circumstances, it is not possible to ascertain with certainty the effects that the Stark Law or the State self-referral statute may have on the Obligated Group's operations or financial results.

The False Claims Act. The criminal False Claims Act ("criminal FCA") makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and/or a fine. The civil False Claims Act ("civil FCA"), one of the government's primary weapons against health care fraud, allows the United States government to recover significant damages from persons or entities that submit fraudulent claims for payment to any federal agency through actions taken by the United States Attorney's Office or the Department of Justice. The civil FCA also permits individuals to initiate actions on behalf of the government in lawsuits called qui tam actions. These qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government. Recent changes to the civil FCA provide that penalties may apply to persons who do not contract with the federal government but who makes, or causes to be made, a false record or statement material to a false or fraudulent claim paid by the federal government.

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

Violations of the civil FCA can result in penalties up to triple the actual damages incurred by the government and also monetary penalties.

Federal Civil Monetary Penalty Law. The federal Civil Monetary Penalty Act ("CMPA") provides for administrative sanctions against health care providers, such as Members of the Obligated Group which operate health care facilities, for a broad range of billing and other abuses. These include violations of the fraud and abuse and Stark Law, as noted elsewhere in this discussion. In addition, a health care provider is liable under the CMPA if it knowingly presents, or causes to be presented, improper claims for reimbursement under Medicare, Medicaid and other federal health care programs. A hospital that participates in arrangements known as "gainsharing" by paying a physician to limit or reduce services to Medicare fee-for-service beneficiaries also would be subject to CMPA penalties. A health care provider that provides benefits to Medicare or Medicaid beneficiaries that the provider

knows or should know are likely to induce the beneficiaries to choose the provider for their care also would be subject to CMPA penalties. The CMPA authorizes imposition of a civil money penalty and treble damages.

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

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

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

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties are in four tiers, the highest of which would impose a fine of $50,000 per violation and up to $1,500,000 for all such violations of an identical requirement or prohibition during a calendar year. A civil monetary penalty is not imposed if the violation was due to reasonable cause and was corrected within 30 days. In addition, under the American Recovery and Reinvestment Act adopted in February, 2009 state Attorneys General are permitted to bring a civil action in federal district court against individuals who violate the HIPAA privacy and security standards, in order to enjoin further such violation and seek damages of up to $100 per violation, capped at $25,000 for all violations of an identical requirement or prohibition in any calendar year. In the event of a successful action, the court would be permitted to award the costs of the action and reasonable attorneys' fees to the state.

The HITECH Act. On February 17, 2009, President Obama signed into law the HITECH Act, which is part of the American Recovery and Reinvestment Act of 2009. The HITECH Act expands the scope and application of the administrative simplification provisions of HIPAA, and its implementing regulation, in particular by: (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.

On January 25, 2013, the DHHS issued comprehensive modifications to the existing HIPAA regulations to implement the requirements of the HITECH Act, commonly known as the "HIPAA Omnibus Rule." The HIPAA Omnibus Rule became effective on March 26, 2013 and covered entities were required to be in compliance as of September 23, 2013 (though certain requirements have a longer timeframe). Key aspects of the HIPAA Omnibus Rule include, but are not limited to (i) a new standard for what constitutes a breach of private health information, (ii) establishing four levels of culpability with respect to civil monetary penalties assessed for HIPAA violations, (iii) direct liability of business associates for certain violations of HIPAA, (iv) modifications to the rules governing research, (v) stricter requirements regarding non-exempt marketing practices, (vi) modification and re-distribution of notices of privacy practices and (vii) stricter requirements regarding the protection of genetic information. While the effects of the HIPAA Omnibus Rule cannot be predicted at this time, the obligations imposed thereunder could have a material adverse effect on the financial condition of the Corporation.

During the summer of 2015, the DHHS Office for Civil Rights ("OCR") sent pre-audit screening surveys to a pool of covered entities that may be selected for a second phase of audits ("Phase 2 Audits") of compliance with the HIPAA Privacy, Security and Breach Notification Standards, as required by the HITECH Act. The OCR's first phase of audits ("Phase 1 Audits") were part of a pilot program, which included only covered entities and was conducted between 2011 and 2012. Unlike the Phase 1 Audits, which focused on covered entities, the Phase 2 Audits will include both covered entities and business associates. The Phase 2 Audit will focus on areas of greater risk to the security of protected health information (PHI) and on pervasive non-compliance based on OCR's Phase I Audit findings and observations, rather than a comprehensive review of all of the HIPAA standards. OCR also intends for the Phase 2 Audits to identify best practices and uncover risks and vulnerabilities that OCR has not identified through other enforcement activities. OCR has stated that it will use the Phase 2 Audit findings to identify technical assistance that it should develop for covered entities and business associates. In circumstances where an audit reveals a serious compliance concern, OCR may initiate a compliance review of the audited organization that could lead to civil money penalties.

The HITECH Act also provides for almost $20 billion in federal incentives for health care providers to adopt electronic health records and health information technology ("EHR/HIT") with the goal of improving patient outcomes and efficiency of delivery of medical care. The HITECH Act encourages adoption of EHR/HIT through federal loans and grants to providers to implement adopt "meaningful use" of this technology. Adoption of the software, hardware and infrastructure necessary to comply with these "meaningful use" criteria could represent a significant additional capital expense for health care providers.

The Centers for Medicare & Medicaid Services' final 2016 inpatient and long-term care hospital policy and payment rule ("IPPS") modifies the "meaningful use" program to encourage electronic submission of clinical quality measures and to further align it with other rules and programs. The final IPPS rule, released July 31, 2015, changes the reporting obligations and timelines to better align the "meaningful use" program with the Inpatient Quality Reporting program, which was created under independent statutory authorities and uses payment adjustments depending not only on whether a hospital was a "meaningful user" but also whether it submitted its quality reports.

While the incentive to adopt EHR/HIT is initially provided through additional reimbursement under Medicare and matching funds under Medicaid for qualified entities that comply with the "meaningful use" adoption criterion, beginning in 2015 and 2016, Medicare payment reductions are set to begin for entities and individuals that fail to adopt these systems.

Violations of HIPAA can result in civil monetary penalties of up to $25,000 per type of violation in each calendar year and criminal penalties of up to $250,000 per violation. Paired with violations of the HITECH Act, as described above, these penalties can be even higher, with civil penalties under the HITECH Act generally ranging from $100 to $50,000 per violation, with caps of $25,000 to $1.5 million for all violations of a single requirement in a calendar year, depending on the severity of the violation and the level of willful negligence involved. The Corporation or the Obligated Group does not expect that the prohibited practices provisions of HIPAA or the HI1ECH Act will affect the Corporation or the Members of the Obligated Group in any material respect, but there can be no assurance that these changes and the associated costs of compliance will not have a materially adverse effect on its operations or financial condition.

Exclusions from Medicare or Medicaid Participation. The Secretary of DHHS is required to exclude from governmental program participation (including Medicare and Medicaid) for not less than five years any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, felony fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. DHHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion of a Member of the Obligated Group from governmental program participation could have a material, adverse effect on the Obligated Group.

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

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

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

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

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

Under the final transaction and code set regulations promulgated by DHHS, Covered Entities must use the prescribed standards for designated electronic transactions. The final HIPAA privacy regulations impose requirements on the use and disclosure of protected health information, create individual rights, and mandate certain administrative requirements for Covered Entities. Covered Entities were expected to be in compliance with the privacy regulations. Additionally, security regulations require Covered Entities to assess risks and develop and

implement appropriate security measures to protect individually identifiable health information, with particular focus on administrative procedures, physical safeguards, technical security services, and technical security mechanisms. Covered Entities such as the Obligated Group must comply with the security regulations as well.

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

Other Federal, State and Local Legislation

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

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

Environmental Laws Affecting Health Care Facilities. Hospitals and other healthcare facilities are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations that address, among other things, hospital operations or facilities and properties owned or operated by hospitals. Among the types of regulatory requirements faced by hospitals are: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos, hospital, medical and infectious waste, polychlorinated biphenyls, and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital; requirements for worker safety and training employees in the proper handling and management of hazardous materials and waste; and other requirements. In their role as owners and operators of properties or facilities, hospitals may be subject to liability for investigating and remedying any hazardous substances that have come to be located on the property, including any such substances that may have migrated off the property. Typical healthcare operations include, in various combinations, the handling, use, storage, transportation, disposal and discharge of infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. For this reason, healthcare facility operations are particularly susceptible to the practical financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations or increase their costs or both; may result in legal liability, damages, injunctions or fines, or may trigger investigations, administrative proceedings, penalties or other government agency actions.

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

Indigent Care. Tax exempt hospitals often treat large numbers of indigent patients who are unable to pay in full for their medical care. Typically, urban, inner city hospitals may treat significant numbers of indigents. These hospitals may be susceptible to economic and political changes that could increase the number of indigents or their responsibility for caring for this population. General economic conditions that affect the number of employed individuals who have health coverage affects the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and federal health care programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment by such hospitals and other providers. It also is possible that future legislation could require that tax exempt hospitals and other providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes.

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

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

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

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

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

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

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

Cost Increases. Cost increases without corresponding increases in revenue could result from, among other factors: increases in the salaries, wages and fringe benefits of employees, increases in costs associated with advances in medical technology, or with inflation and future legislation which would prevent or limit the ability of the Obligated Group to increase revenues from operating the Obligated Group's physical plants. In that regard, in March of 2013 the State of New York passed legislation providing for increases in the minimum wage over a three year period: $8.00 on December 31, 2013; $8.75 on December 31, 2014; and $9.00 on December 31, 2015.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2016 Bonds. From time to time there may be no market for them depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the Obligated Group's capabilities and the financial conditions and results of operations of the Obligated Group.

State Budget

In January 2011, Governor Andrew M. Cuomo issued Executive Order No. 5 creating the Medicaid Redesign Team and setting in motion a process of substantial reform of New York's Medicaid program. The Medicaid Redesign Team, comprised of health care professionals, stakeholders in the industry and legislators, was charged with reducing Medicaid costs and improving patient care. On February 24, 2011, the Medicaid Redesign Team issued a report containing findings and recommendations for cost reductions of over $2.3 billion to the Governor for consideration in the budget negotiation process. The majority of these recommendations (so-called "Phase I" proposals) were included in the 2011-2012 Final Budget and passed by the New York legislature on March 31, 2011. The 2012-2013 Final Budget, passed by the New York legislature on March 30, 2012, included a number of proposals designed to continue the reformation of Medicaid within New York (so-called "Phase II" proposals). Each of the 2013-2014 Final Budget, passed by the New York legislature on March 28, 2013, the 2014-2015 Final Budget, passed by the New York legislature on March 31, 2014, and the 2015-2016 Final Budget, passed by the New York legislature on March 31, 2015, includes additional recommendations for building on Medicaid reformation efforts and encouraging a shift to value-based payments, as described in more detail below.

The 2011-2012 Final Budget (implementing Phase I) included a series of changes and cost-containment measures such as: programmatic reforms to Medicaid payments and program structures; the elimination of annual statutory inflation factors for hospitals, nursing homes and home and personal care providers; a 2% across-the-board rate reduction and other industry-specific measures; the acceleration of certain payments to take advantage of additional enhanced Federal Medical Assistance Percentage payments; mandatory managed care enrollment of previously exempt population; changes in the benefit package and reimbursement for certain overused benefits; and creation of new integrated care models anticipated to save Medicaid dollars in the long term by improving patient care. The 2012-2013 Final Budget (implementing Phase II) continued the work of the Medicaid Redesign Team and included provisions: calling for further redesign of the basic benefit package; additional initiatives to provide integrated care; and a state takeover of Medicaid administration from local governments. The 2013-2014 Final Budget included further expansion of eligibility for and the scope of services provided by managed care plans and acceleration of several cost-saving Medicaid Redesign Team initiatives to offset the cost of creating a Mental Hygiene Stabilization Fund. The 2014-2015 Final Budget included further provisions implementing the work of the Medicaid Redesign Team, including integration of physical and behavioral health services through Behavioral Health Organizations and Health and Recovery Plans, an increase in funding available for affordable housing and an increase in payments to essential community providers. The 2015-2016 Final Budget includes a recently awarded $100 million in Federal monies over four years to implement the State Health Innovation Plan, which extends Medicaid reform efforts to the State's public and private health care system, as well as a five-year, $8 billion Federal Medicaid waiver to implement the new Delivery System Reform Incentive Payment, a pay-for-performance program with the goal of reducing avoidable hospital use by 25% over the program's duration, which waiver amends the 1115 Waiver discussed below and extends such 1115 Waiver to March 31, 2020. The 2015-2016 Final Budget also continues the implementation of the Medicaid Redesign Team and provides for $1.4 billion in new complimentary capital investments to make infrastructure improvements and provide additional tools to stabilize health care providers to advance health care transformation goals.

Each of the Final Budgets for 2011-2012 through 2015-2016 assumes a targeted growth rate for Medicaid equal to the ten-year average change in the medical component of the Consumer Price Index (currently 3.6%) and grant the New York State Department of Health ("DOH") and the State Department of Budget ("DOB") authority to hold Medicaid spending to this rate. If spending is projected to exceed the budget cap, DOH and DOB are authorized 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 2014-2015 Final Budget permits DOB to adjust the budget cap to allow for increased spending due to natural disasters. The 2015-2016 Final Budget permanently extended the Medicaid global spending cap, and provides for a cap increase of 3.6% in the coming fiscal year. For 2011-2012, the budget cap required DOH to achieve savings of $2.2 billion, which grew to $3.3 billion in 2012-2013. For 2013-2014 the global spending cap was increased to $16.5 billion, for 2014-2015 the global spending cap was further increased to $17.0 billion and for 2015-2016 the global spending cap was further increased to $17.7 billion. Over the last several years, the State budget year has ended with Medicaid spending below the global spending cap: the 2011-2012 budget year ended with Medicaid spending $14 million below the global spending cap; the 2012-2013 budget year ended with Medicaid spending $2 million below the global spending cap; the 2013-2014 budget year ended with Medicaid spending $39 million below the global spending cap; and the 2014-2015 budget year ended with Medicaid spending $8 million below the global spending cap. Although successful in meeting the budget cap in the first four years, higher-than-average Medicaid enrollment threatens the ability of DOH to continue to meet the savings goal in future years.

Although the Final Budgets for 2011-2012 through 2015-2016 contain the statutory tools necessary to implement the recommendations of the Medicaid Redesign Team, there can be no assurance that these proposals will achieve the level of gap-closing savings anticipated or limit the rate of annual growth in DOH State Funds Medicaid spending. In addition, many of the cost-saving initiatives are dependent upon timely federal approvals, appropriate amendments to the existing systems and processes and a collaborative working relationship with health care industry stakeholders.

The effect of the Medicaid redesign process on the Corporation 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.

Medicaid 1115 Waiver

New York State's program for mandatory Medicaid managed care enrollment, The Partnership Plan (also known as the 1115 Waiver), was approved by CMS in July 1997, allowing the State to begin enrolling most Medicaid recipients in managed care plans. Mandatory Medicaid managed care enrollment programs were instituted throughout New York City, and a significant portion of the Medicaid eligible population has been enrolled in managed care plans. Since 1997, the Partnership Plan 1115 Waiver has since been extended several times, most recently to March 31, 2020 (see discussion of Delivery System Reform Incentive Payment waiver above), although the waiver authority for New York's Medicaid managed care program extends only through September 30, 2015. The 2011 amendments to the Partnership Plan 1115 Waiver have further extended the groups eligible and required to enroll in Medicaid managed care, which will likely result in an increase in Medicaid managed care admissions. Following the July 2015 approval of the State's value based purchasing "roadmap" under the 1115 Waiver's new value based purchasing requirements, managed care plan incentives for meeting value based purchasing goals have been added in order to encourage the development of integrated delivery systems within the State. Specific expected improvements include: (i) reducing avoidable readmissions; (ii) improving community health by expanding access to preventive and disease management programs; (iii) implementing programs aimed at improving access to preventive services; and (iv) encouraging community involvement to encourage health and wellness.

New York State Executive Order

On January 18, 2012, Governor Cuomo signed an Executive Order limiting spending for administrative costs and executive compensation at State-funded service providers. The Obligated Group may be subject to the limitations contained in the Executive Order. The Executive Order limits reimbursement with State funds for executive compensation to $199,000 annually per executive and requires that 75% (increasing to 85% by April 1, 2015) of State-authorized payments be utilized for direct care or services, rather than administrative costs. In March 2013, DOH published a third version of proposed regulations to implement the Executive Order, which became

effective July 1, 2013. On April 9, 2014, a New York trial-level court struck down the Executive Order, a decision which the State of New York appealed. On July 29, 2014, a different New York trial-level court upheld the Executive Order. On November 13, 2015, a different New York trial level court upheld part of the regulation and struck down part. Whether the Executive Order will remain in effect and the ways in which the final regulations may impact the Obligated Group remain unclear. Accordingly, it is impossible at this time to predict what changes in accounting or practices might be required of the Obligated Group as a result of this Executive Order.

Enforceability of Remedies

The Series 2016 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 2016 Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Loan Agreement, the Mortgage and the Master Indenture. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the Loan Agreement, the Mortgage and the Master Indenture may not be readily available or may be limited. A court may decide not to order the performance of the covenants contained in those documents. The legal opinion to be delivered concurrently with the delivery of the Series 2016 Bonds will be qualified as to the enforceability of the various agreements and other instruments by limitations imposed by State and Federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

Enforceability of Lien on Gross Receipts

The Loan Agreement provides that the Corporation shall make payments to the Trustee sufficient to pay the Series 2016 Bonds and the interest thereon as the same become due. The obligation of the Obligated Group to make such payments is secured by the Series 2016 Obligation, which, in turn, is secured by, among other things, a security interest granted to the Master Trustee in the Gross Receipts of the Obligated Group. The lien on Gross Receipts may become subordinate to certain Permitted Liens under the Master Indenture. Gross Receipts paid by the Members of the Obligated Group to other parties in the ordinary course might no longer be subject to the lien on the Master Indenture and might therefore be unavailable to the Master Trustee. In addition, the Master Trustee has certain authority under the Master Indenture to partially release the lien on Gross Receipts as to specific property.

To the extent that Gross Receipts are derived from payments by the Federal or state government under the Medicare or Medicaid program, any right to receive such payments directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care or the 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 Obligated Group has not provided an opinion with regard to the enforceability of the Lien on Gross Receipts of the Obligated Group, where such Gross Receipts are derived from the Medicare and Medicaid programs.

In the event of bankruptcy of a Member of the Obligated Group, transfers of property by the bankrupt entity, including the payment of debt or the transfer of any collateral, including receivables and Gross Receipts on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court may be subject to avoidance or recoupment as preferential transfers. Under certain circumstances a court may have the power to direct the use of Gross Receipts to meet expenses of the Members of the Obligated Group before paying debt service on the Series 2016 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 2016 Bonds as to the security interest in the Gross Receipts or by the issuance of debt secured on a basis senior to the Series 2016 Bonds.

Enforceability of the Master Indenture

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

In addition, the assets of any member may be held by a court to be subject to a charitable trust which prohibits payments in respect of obligations incurred by or for the benefit of others if a member has insufficient assets remaining to carry out its own charitable functions or, under certain circumstances, if the obligations paid by such member were issued for purposes inconsistent with or beyond the scope of the charitable purposes for which the member was organized. The enforceability of similar master trust indentures has been challenged in jurisdictions outside of the State. In the absence of clear legal precedent in this area, the extent to which the assets of any member can be used to pay Obligations issued by or on behalf of others cannot be determined at this time.

In addition, there exists common law authority and authority under state statutes for the ability of the state courts to terminate the existence of a not-for-profit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of the state attorney general or such other persons who have interests different from those of the general public, pursuant to common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

An action to enforce a charitable trust and to see to the application of its funds could also arise if an action to enforce the obligation to make payments on an Obligation issued for the benefit of another Member of the Obligated Group would result in the cessation or discontinuation of any material portion of the healthcare or related services previously provided by the Member of the Obligated Group from which payment is requested.

Exercise of Remedies under Master Indenture

"Events of Default" under the Master Indenture include the failure of the Obligated Group to make payments on any Obligation Outstanding under the Master Indenture (such as the Series 2016 Obligation) and may

include nonpayment related defaults under documents such as the Loan Agreement, the Indenture or the Mortgage. The Master Indenture provides that upon an "Event of Default" thereunder, the Master Trustee may in its discretion, declare the principal of all (but not less than all) Obligations Outstanding thereunder to be due and payable immediately and may exercise other remedies thereunder. However, the Master Trustee is not required to declare amounts under the Master Indenture to be due and payable immediately except as provided in the Master Indenture, and if applicable, subject to the terms of the Intercreditor Agreement. Consequently, upon the occurrence of an "Event of Default" under the Indenture with respect to the Series 2016 Bonds and an acceleration of the maturity of the Series 2016 Bonds, the Master Trustee may not be required to accelerate all Obligations Outstanding under the Master Indenture.

Limitation on Value of Mortgaged Property

The Mortgaged Property of the Members of the Obligated Group is pledged as security for the Series 2016 Obligation. Such Mortgaged Property is not comprised of general-purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the Mortgaged Property, and, upon any default, the Master Trustee may not obtain an amount equal to the amount of the outstanding Series 2016 Obligation and other indebtedness secured by the Mortgaged Property from the sale or lease of such Mortgaged Property if it were necessary to proceed against the Mortgaged Property, whether pursuant to a judgment, if any, against the Members of the Obligated Group or otherwise.

Bankruptcy

The rights and remedies of the holders of the Series 2016 Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If a Member of the Obligated Group were to file a petition for relief under the Bankruptcy Code, the filing would automatically stay the commencement or continuation of any judicial or other proceedings against that Member of the Obligated Group and its property, including the commencement of foreclosure proceedings under the Mortgage. Such Member of the Obligated Group would not be permitted or required to make payments of principal or interest under the Loan Agreement and the Obligations, unless an order of the United States Bankruptcy Court were issued for such purpose. In addition, without an order of the United States Bankruptcy Court the automatic stay may serve to prevent the Trustee from applying amounts on deposit in certain funds and accounts held under the Indenture from being applied in accordance with the provisions of the Indenture, and the application of such amounts to the payment of principal and Sinking Fund Installments of, and interest on, the Series 2016 Bonds. Moreover, any motion for an order canceling the automatic stay and permitting such funds and accounts to be applied in accordance with the provisions of the Indenture would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of such Member of the Obligated Group, which could affect the likelihood or timing of obtaining such relief. The automatic stay may also extinguish the Master Trustee's continuing security interest in the Obligated Group's Gross Receipts arising subsequent to the filing of the bankruptcy petition, adversely affect the ability of the Master Trustee to exercise remedies upon default, including the acceleration of all amounts payable by such Member of the Obligated Group under the Obligations, the Master Indenture, the Mortgage, and the Loan Agreement, and may adversely affect the Master Trustee's or the Trustee's ability to take all steps necessary to file a claim under the applicable documents on a timely basis.

The Obligated Group could file a plan for the adjustment of its debts in a proceeding under the Bankruptcy Code, which plan could include provisions modifying or altering the rights of creditors generally, or any class of them, whether secured or unsecured. The plan, when confirmed by the United States Bankruptcy Court, would bind all creditors who have notice or knowledge of the plan and could discharge all claims against the Obligated Group provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been (except as set forth below) accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Considerations Relating to Additional Debt

Subject to the coverage and other tests set forth therein, the Indenture and the Master Indenture, as amended and supplemented, permit the Members of the Obligated Group to incur additional indebtedness, including Additional Bonds. Such indebtedness would increase the Obligated Group's debt service and repayment requirements and may adversely affect debt service coverage on the Series 2016 Bonds.

Cybersecurity

Like many other large organizations, the Members of the Obligated Group rely on digital technologies to conduct their customary operations. In the past several years, a number of entities have sought to gain unauthorized access to digital systems of large organizations for the purposes of misappropriating assets or information or causing operational disruption. These attempts include highly sophisticated efforts to electronically circumvent network security as well as more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access. The Members of the Obligated Group maintain a network security system designed to stop "cyber-attacks" by third parties, and minimize their impact on operations; however, no assurances can be given that such network security systems will be completely successful.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Obligated Group, or the market value of the Series 2016 Bonds, to an extent that cannot be determined at this time:

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

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

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

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

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

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

- The occurrence of a natural or man-made disaster, including but not limited to acts of terrorists, that could damage the facilities of the Obligated Group, 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 the Obligated Group's facilities.

- Adoption of a so-called "flat" Federal income tax, a reduction in the marginal rates of Federal income taxation or replacement of the Federal income tax with another form of taxation, any of which might adversely affect the market value of the Series 2016 Bonds and the level of charitable donations to the Obligated Group.

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

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

LITIGATION

The Issuer

The Issuer is unaware of any litigation restraining or enjoining the issuance or delivery of their Series 2016 Bonds, or questioning or affecting the validity of the Series 2016 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Issuer to their respective offices, is known to be contested or questioned. There is no known litigation pending against the Issuer which in any manner questions the right of the Issuer to enter into the Indenture, the Loan Agreement or to secure the Series 2016 Bonds in the manner provided in the Indenture.

The Corporation

No action, suit, proceeding or investigation is pending against the Corporation or, to the Corporation's knowledge, threatened which might, in the opinion of the management of the Corporation, materially adversely affect the business or properties or financial condition of the Corporation, or in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Loan Agreement, the Master Indenture, the Mortgage, or any other documents executed by the Corporation in connection therewith, the performance by the Corporation of any of its obligations thereunder, or the consummation of any of the transactions contemplated thereby.

INDEPENDENT ACCOUNTANTS

The financial statements of Westchester County Health Care Corporation of December 31, 2014 and 2013 and for the years then ended appearing in APPENDIX B of this Official Statement have been audited by Grant Thornton LLP, independent accountants, as stated in their report appearing in APPENDIX B to this Official Statement.

FINANCIAL ADVISOR

In connection with the authorization, sale and issuance of the Series 2016 Bonds, the Corporation has retained Lamont Financial Services Corporation, Wayne, New Jersey, as its financial advisor (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness, of the information contained in this Official Statement including the Appendices hereto. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

VERIFICATION

Precision Analytics (the "Verification Agent"), will deliver to the Master Trustee and the Corporation, on or before the settlement date of the Series 2016 Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the escrowed government obligations, to pay, when due, the maturing principal of, and interest on, the Prior Bonds. The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Underwriters of the Series 2016 Bonds, and its representatives.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2016 Bonds are subject to the approving opinion of Winston & Strawn LLP, New York, New York, as Bond Counsel to the Issuer, a form of which is attached as APPENDIX E. A signed copy of such opinion will be available at the time of original delivery of the Series 2016 Bonds. Certain legal matters will be passed upon for the Issuer by its special counsel, Buchanan Ingersoll & Rooney PC; for the Corporation by its General Counsel, Julie Switzer, Esq.; and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York.

UNDERWRITING

The Series 2016 Bonds are being purchased by the underwriters set forth on the cover of this Official Statement (the "Underwriters"). The Underwriters have agreed to purchase the Series 2016 Bonds at an aggregate underwriting discount of $2,027,799. The purchase contract for the Series 2016 Bonds provides that the Underwriters will purchase all of the Series 2016 Bonds. The Corporation has agreed to indemnify the Underwriters and the Issuer against losses, claims, damages and liabilities arising out of any incorrect statement or information contained in or information omitted from this Official Statement to the extent set forth in the purchase contract.

The initial public offering prices set forth on the front cover page hereof may be changed from time to time by the Underwriters, and the Underwriters may offer to sell Series 2016 Bonds to certain dealers and others at prices lower than the offering prices stated on the front cover page hereof.

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

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

Wells Fargo Securities, is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiary, Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association ("*WFBNA*"), one of the Underwriters of the Series 2016 Bonds, has entered into an agreement (the "*Distribution Agreement*") with its affiliate, Wells Fargo Advisors, LLC ("*WFA*"), for the distribution of certain municipal securities offerings, including the Series 2016 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2016 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC ("*WFSLLC*"), for the distribution of municipal securities offerings, including the Series 2016 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, 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.

An employee in the Public Finance group at Wells Fargo Securities, senior managing Underwriter for the Series 2016 Bonds, is related to the President and CEO of Westchester Medical Center. The Wells Fargo Securities employee has not participated and will not participate in the underwriting of the Series 2016 Bonds.

Loop Capital Markets LLC ("LCM"), one of the Underwriters of the Series 2016 Bonds, has entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of UBSFS and DBS will purchase Series 2016 Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2016 Bonds that such firm sells.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Division of McGraw-Hill Corporation ("S&P") have assigned the ratings of "Baa2", "stable" outlook and "BBB", "stable" outlook, respectively, to the Series 2016 Bonds.

Explanations of the significance of each rating may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York and from S&P at 55 Water Street, New York, New York. Each such rating reflects only the views of the respective rating agency, and an explanation of the significance of the ratings may be obtained from the rating agency. Generally, ratings agencies base their ratings on information and material furnished by the Obligated Group and on investigations, studies and assumptions made by the rating agencies. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by one or more of the rating agencies, if in the judgment of any such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2016 Bonds. Neither the Issuer nor the Underwriters have agreed to take any action with respect to any proposed rating change or to bring such rating change, if any, to the attention of the owners of the Series 2016 Bonds.

TAX MATTERS

Summary of Certain Federal Tax Requirements; Compliance

The Internal Revenue Code of 1986, as amended, establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2016 Bonds in order that interest on the Series 2016 Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of proceeds of the Series 2016 Bonds and the facilities financed or refinanced by such proceeds, restrictions on the investment of such proceeds and other amounts and the rebate to the United States of certain earnings with respect to investments. Failure to comply with the continuing requirements may cause interest on the Series 2016 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. The Issuer and the Corporation have made certain representations, certifications and covenants designed to assure compliance with the requirements of the Code. The opinion of Bond Counsel assumes and is dependent upon compliance with such covenants and the accuracy, in all material respects, of such representations and certifications, which Bond Counsel has not independently verified.

Opinion of Bond Counsel

In the opinion of Winston & Strawn LLP, New York, New York ("Bond Counsel") based on existing statutes, regulations, rulings and court decisions and assuming compliance with the covenants and the accuracy of the representations and certifications referred to above, interest on the Series 2016 Bonds (including any accrued original issue discount) is not includable in gross income for federal income tax purposes. Bond Counsel is of the further opinion that interest on the Series 2016 Bonds (including any accrued original issue discount) is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations; however, interest on the Series 2016 Bonds is includable in the calculation of adjusted current earnings of corporations for purposes of calculating the alternative minimum tax on corporations. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

Bond Counsel expresses no opinion as to the effect on the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes (i) of any amendment or modification to the Indenture, the Loan Agreement, the Master Indenture or the Supplemental Indenture if such amendment or modification occurs without the approval of Winston & Strawn LLP, or (ii) of any change or other action permitted by the documents executed and delivered in connection with the authorization, sale or issuance of all or any portion of the Series 2016 Bonds, if such change occurs or such action is taken upon the approval of counsel other than Winston & Strawn LLP.

In the opinion of Bond Counsel, assuming continuing compliance by the Issuer and the Corporation (and their successors) with the requirements of the Code that must be met in order for interest on the Series 2016 Bonds to be not includable in gross income for federal income tax purposes, interest on the Series 2016 Bonds (including any accrued original issue discount) is also not includable in taxable income for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers). Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2016 Bonds nor as to the taxability of the Series 2016 Bonds or the income therefrom under the laws of any state other than the State of New York.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes, but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect on the tax-exempt treatment of interest on the Series 2016 Bonds of (i) future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2016 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2016 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2016 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

Original Issue Discount

The Series 2016 Bonds maturing in 2037 are initially offered to the public at a price less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2016 Bonds maturing in 2037 is sold in the initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount with respect to each Series 2016 Bond maturing in 2037 (each, a "Discount Series 2016 Bond," and collectively, the "Discount Series 2016 Bonds"). Bond Counsel is of the opinion that original issue discount, as it accrues, is excludable from gross income for federal income tax purposes and is subject to the alternative minimum tax to the same extent as is interest on the Series 2016 Bonds. Original issue discount accrues in each taxable year over the term of the Discount Series 2016 Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code, with certain adjustments. Original issue discount may be treated as continuing to accrue in each taxable year even if payment of the Discount Series 2016 Bonds becomes doubtful.

Accruals of original issue discount are treated as tax-exempt interest earned by owners on the accrual basis of tax accounting and as tax-exempt interest received by owners on the cash basis of tax accounting even though no cash corresponding to the accrual is received in the year of accrual. The tax basis of a Discount Series 2016 Bond if held by an original purchaser, can be determined by adding to such owner's purchase price of such Discount Series 2016 Bond the original issue discount that has accrued. Holders of Discount Series 2016 Bonds should consult their own tax advisors with respect to the calculation of the amount of the original issue discount that will be treated for federal income tax purposes as having accrued for any taxable year (or portion thereof) of such owners and with respect to other federal, state and local tax consequences of owning and disposing of the Discount Series 2016 Bonds.

Original Issue Premium

All of the Series 2016 Bonds (other than the Series 2016 Bonds maturing in 2037) are initially offered to the public at prices in excess of their principal amounts (the "Premium Series 2016 Bonds"). An initial purchaser (other than a purchaser who holds such Premium Series 2016 Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) with an initial adjusted basis in a Premium Series 2016 Bond in excess of its principal amount will have amortizable bond premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant yield basis over the term of such Premium Series 2016 Bond based on the purchaser's yield to maturity (or, in the case of Premium Series 2016 Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Series 2016 Bond, an initial purchaser is required to decrease such purchaser's adjusted basis in such Premium Series 2016 Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Premium Series 2016 Bonds. Owners of Premium Series 2016 Bonds are advised that they should consult with their own advisors with respect to the federal, state and local tax consequences of owning Premium Series 2016 Bonds.

Other Considerations

Prospective purchasers of the Series 2016 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2016 Bonds. Bond Counsel expresses no opinion regarding any such collateral consequences.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2016 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2016 Bonds. Future tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2016 Bonds under federal or state law. Further, no assurance can be given that the introduction or enactment of any proposed legislation will not affect the market price and the marketability of the Series 2016 Bonds. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation and prospective purchasers of the Series 2016 Bonds at other than their original issuance at the respective prices or yields indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations, such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2016 Bonds ends with the issuance of the Series 2016 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Corporation or the beneficial owners regarding the tax status of interest on the Series 2016 Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest

thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Series 2016 Bonds, under current IRS procedures, the IRS will treat the Issuer as the taxpayer and the beneficial owners of the Series 2016 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2016 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Series 2016 Bonds.

CONTINUING DISCLOSURE

Because the Series 2016 Bonds are limited obligations of the Issuer, payable solely from amounts received from the Obligated Group, financial or operating data concerning the Issuer is not material to an evaluation of the offering of the Series 2016 Bonds or to any decision to purchase, hold or sell the Series 2016 Bonds. Accordingly, the Issuer is not providing any such information. The Obligated Group has undertaken all responsibilities for any continuing disclosure to Holders of the Series 2016 Bonds, as described below, and the Issuer shall have no liability to the Holders of the Series 2016 Bonds or any other Person with respect to Rule 15c2-12, referred to in this Official Statement as the "Rule", promulgated under the Securities Exchange Act of 1934 by the Securities and Exchange Commission.

The Obligated Group has covenanted to provide (a) certain financial information and operating data relating to the Corporation by not later than 165 days after the end of the Corporation's fiscal year (which fiscal year currently ends on December 31), commencing with the report for the fiscal year ending December 31, 2015 (the "Annual Report") and (b) notices of the occurrence of certain enumerated events. The Corporation will file, or cause to be filed, the Annual Report with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system for municipal securities disclosures. Any notice of an event required to be disclosed as a significant event under Rule 15c2-12 is also required to be filed by the Obligated Group with the MSRB through its EMMA system. The specific nature of the information to be contained in the Annual Report and the notices of material events is described in APPENDIX F – Form Of Continuing Disclosure Agreement.

MISCELLANEOUS

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

The agreement of the Issuer with the holders of Series 2016 Bonds is fully set forth in the Indenture, and neither any advertisement of the Series 2016 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2016 Bonds.

The information contained herein should not be construed as representing all conditions affecting the Issuer, the Corporation, the Obligated Group or the Series 2016 Bonds. The foregoing statements relating to the Indenture, the Loan Agreement, the Mortgage, the Master Indenture, the Supplemental Indenture and other documents are summaries of certain provisions thereof, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such documents in their complete forms.

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

It is anticipated that CUSIP identification numbers will be printed on the Series 2016 Bonds, but neither the failure to print such numbers on any Series 2016 Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of or pay for any Series 2016 Bonds.

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

The Corporation has agreed, pursuant to the Supplemental Indenture, to furnish, no later than sixty (60) days subsequent to the last day of each of the first three quarters in each fiscal year and ninety (90) days subsequent to the last day of the fourth quarter in each fiscal year to the Master Trustee, the MSRB and each Bondholder who is the registered owner of in excess of an aggregate $1 million principal amount of Series 2016 Bonds who has so requested, the following information: (a) the unaudited financial statements of the Corporation, including the balance sheet as of the end of such quarter, the statement of operations, changes to net assets and cash flows; (b) utilization statistics of the Corporation for such quarter, including aggregate discharges, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable); and (c) discharges of the Corporation by major payor mix for such quarter. In addition, the Corporation has agreed to furnish, or cause to be furnished, to each of the parties identified above the audited financial statements of the Corporation, within 165 days after the completion of the Corporation's fiscal year. The Corporation has agreed to provide the information set forth in this paragraph as a matter of convenience and such agreement shall not be construed as an undertaking pursuant to Securities and Exchange Commission Rule 15c2-12.

The Issuer and the Corporation have authorized the distribution of this Official Statement.

WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION

By: */s/ Stephen J. Hunt*
Name: Stephen J. Hunt
Title: Chairman

WESTCHESTER COUNTY HEALTH CARE CORPORATION

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

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APPENDIX A

INFORMATION CONCERNING WESTCHESTER COUNTY HEALTH CARE CORPORATION

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INTRODUCTION

The Corporation

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

The Corporation's primary purpose is the operation of the Westchester Medical Center (the "Medical Center") as described in this Appendix A, which now includes operations at the Valhalla Campus (as defined herein), and the MidHudson Regional Hospital (as defined herein). The Corporation also is the majority corporate member of Bon Secours Charity Health System ("BSCHS") in Rockland and Orange Counties. The Corporation is the only Member of the Obligated Group.

The Medical Center History

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

The Corporation commenced its operation of the Medical Center on January 1, 1998. The County has provided various forms of financial support to the Corporation since its inception in 1998 based on a combination of legally required as well as moral obligations. That relationship is more fully described herein. See "FINANCIAL HISTORY OF THE CORPORATION" herein.

THE MEDICAL CENTER

General

The Medical Center is an academic medical center and the region's only advanced care and Level 1 trauma center, serving more than 3.6 million people in the seven-county Hudson

Valley region, northern New Jersey and lower Connecticut. The Medical Center's main campus is located on an approximately 93-acre campus in suburban Westchester County, New York (the "Valhalla Campus"). The Valhalla Campus is leased from the County pursuant to a Lease Agreement (defined herein). The Medical Center consists of four major facilities with 895 total beds. The major facilities comprising the Medical Center are: (i) the Main Hospital (the "Main Hospital"), (ii) the Behavioral Health Center at Westchester ("BHC"), (iii) the Maria Fareri Children's Hospital (the "Children's Hospital"), all located on the Valhalla Campus, and (iv) the MidHudson Regional Hospital ("MidHudson") in Poughkeepsie, New York. See "FINANCIAL HISTORY OF THE CORPORATION" herein for details of the Lease Agreement.

The Medical Center's provision of advanced care and specialty services has made it the primary referral hospital for physicians and patients in the region. (See "SERVICE AREA AND MARKET ENVIRONMENT - Competition" herein). The Medical Center is a receiving hospital specializing in tertiary and quaternary care. As a receiving hospital, the Medical Center receives over 500 patients per month whose conditions require that they be transferred to the Medical Center from area community hospitals. Additionally, the Medical Center admits over 50% of its inpatients through its Emergency Department ("ED"). The Medical Center also supplies a medevac helicopter service that provides transportation for critically ill patients throughout the region, including the transfer of patients to the Medical Center. As the primary academic affiliate of New York Medical College, graduate medical education training programs are conducted at the Medical Center in numerous specialty and subspecialty areas. See "AFFILIATIONS AND RELATED ENTITIES- Affiliations – New York Medical College" herein.

Main Hospital

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

The Children's Hospital

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

Behavioral Health Center at Westchester

BHC has 101 acute care psychiatric beds licensed by the New York State Office of Mental Health. BHC has provided inpatient mental health services in the County for over 75 years. Within BHC there are six distinct care units, each with a different specialty and clinical program that care for children, adolescents and adults suffering from mental illness and in need of short-term acute care services. BHC's comprehensive array of outpatient services generates more than 20,000 visits per year.

MidHudson Regional Hospital

The Corporation purchased substantially all the assets of the bankrupt St. Francis Hospital in Poughkeepsie on May 9, 2014 and merged it into WMC. MidHudson Regional Hospital, as St. Francis Hospital was renamed, is a Level II Trauma Center and has 243 inpatient beds, including 100 behavioral health beds.

Scope of Services

The Medical Center's strategic positioning has been based on its model as a regional resource with a strict focus on tertiary and quaternary care. With one of the highest case mix indexes in New York State and in the United States, the Medical Center's technological capabilities and professional strengths allow for a strong long-term competitive position. The Medical Center is now expanding its service capabilities to deliver the full continuum of care to the residents of the Hudson Valley. As described further herein, the addition of MidHudson was the first step in the development of a regional integrated delivery system led by the Medical Center.

Currently, the Medical Center is licensed to operate beds as shown below:

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

Source: Hospital Operating Certificate

In May 2015, the Corporation further expanded its service capabilities by acquiring a 60% economic interest in BSCHS, becoming BSCHS'S majority Corporate member and now also manages it. BSCHS is comprised of three community hospitals, two skilled nursing facilities and an assisted living facility. BSCHS also controls the Bon Secours Charity Health System Medical Group P.C. The Corporation, as part of this acquisition, has guaranteed the debt service on bonds issued as part of the transaction, among other financial commitments. In particular, the Corporation has agreed to fund all cash, working capital and capital needs of BSCHS and its subsidiaries, including operating losses on a cash basis, if any, and debt service

on all BSCHS debt, with any such funding by the Corporation to be treated as subordinated debt obligations from BSCHS to the Corporation. As of the date of this Official Statement, the Corporation has not transferred any such funds to BSCHS.

BSCHS is not a member of the Obligated Group and therefore not responsible for payments on the Series 2016 Bonds.

Licensure and Accreditation

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

Facilities

Valhalla Campus

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

Building	Approximate Square Footage	Year of Construction	Principal Facilities and Services
Macy Pavilion	328,200	1917	Operating rooms, outpatient department, nuclear medicine, Endoscopy, Radiation, Medical, clinical and administrative support functions
Taylor Pavilion (formerly Taylor Care Center)	417,460	1936	Administrative and clinical support services, inpatient/outpatient psychiatry including the Behavioral Health Center
Children's Hospital	226,000	2004	Inpatient units, emergency department
Elmwood Hall	94,270	1925	Support services department
Beechwood Hall	39,100	1961	Staff housing
Maplewood Hall	38,800	1963	Staff housing
Cedarwood Hall	101,900	1969	Developmental disabilities and outpatient programs as well as administrative support
Orchard Parking Structure	1,100 spaces (approximately)	1993	Parking facilities
Medical Records Annex	9,700	2002	Medical records

Besides the above-listed buildings, the Medical Center leases approximately 131,900 square feet of space in the Bradhurst Medical Arts building adjacent to the Valhalla Campus for outpatient services, physician practice offices and administrative space.

MidHudson Regional Hospital

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

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

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

Accreditations and Certifications

The Medical Center has the following accreditations and certifications:

- American Association of Blood Banks
- College of American Pathologists
- American Society for Histocompatibility and Immunogenetics- Transplant
- Community Health Accreditation Program
- ACOS- Commission on Cancer Accreditation
- TJC- Ventricular Assist Device
- CARF- Opiod Treatment Program
- DNV- NIAHO Hospital Accreditation Program
- Commission on Cancer Accreditation- Academic Level
- Functional Assessment of Cancer Therapy Bone Marrow Biopsy Treatment
- National Accreditation Program for Breast Centers
- COG for Children's Oncology for Clinical Trials
- American College of Surgeons- Adult
- American College of Surgeons- Pediatrics
- American College of Radiology- for CT, MRI, Stereotactic Breast Biopsy
- American Institute of Ultrasound Medicine - Ultrasound
- Intersocietal Accreditation Commission - Nuclear Medicine
- American Academy for Sleep Medicine
- Undersea & Hyperbaric Medical Society

GOVERNANCE, MANAGEMENT, MEDICAL STAFF AND EMPLOYEES

The Board of Directors

The Corporation is governed by 15 voting directors, eight of whom are appointed by the Governor of the State of New York and seven of whom are appointed by the County Board of Legislators, subject to the approval of the County Executive. In addition, there are four non-voting representatives on the Board of Directors, which include the Chief Executive Officer of the Corporation, one representative selected by the Westchester County Executive, one selected by the majority leader of the County Board of Legislators and one selected by the minority leader of the County Board of Legislators. The Board of Directors adopted an initial set of Bylaws on December 17, 1997, which, as amended, provide that the officers of the Board of Directors of the Corporation shall be a Chair, a First Vice Chair, two Vice Chairs, a Secretary and a Treasurer, all of whom shall be voting directors and shall be elected at the Annual Meeting of the Board of Directors. In addition, the Bylaws were amended in 2008, and the Chief Executive Officer, Chief Financial Officer, and General Counsel and Assistant Secretary were designated as additional officers of the Corporation. The Bylaws provide for several standing committees, including an Executive Committee, Finance Committee, Audit and Compliance Committee, Personnel and Compensation Committee, Governance Committee, Strategic Planning Committee and Quality Care Committee.

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

The following is a list of the members of Board of Directors of the Corporation as of January 1, 2016, including their business affiliation/occupation and length of time on the Board:

Member	Title	Occupation	Member Since
Orlando Adamson, M.D.	Director	Physician – Emergency Medicine Harlem Hospital New York, NY	2010
Claudia Edwards, PhD	Director	Education Consultant College of New Rochelle New Rochelle, NY	1997
William Frishman, M.D.	Director	Physician New York Medical College Valhalla, NY	2010
Renee Garrick, M.D.	Director	Executive Medical Director Westchester Medical Center Valhalla, NY	2004
Herman Geist	Director	Senior Advisor to the Chair of Westchester County Board of Legislators White Plains, NY	2005
Susan Gevertz	Vice Chair	Healthcare Consultant Scarsdale, NY	2006
John Heimerdinger	Secretary	Retired	1998
Mitchell Hochberg	Chair	Executive Managing Director Madden Capital LLC New York, NY	2000
Michael Israel	Ex-Officio	President / CEO Westchester Medical Center Valhalla, NY	2005
Dennis D. Mehiel	Director	Principal Four M Investments Newark, NJ	2013
Patrick McCoy	Director	Director of Finance Metropolitan Transportation Authority New York, NY	2007
Alfredo Quintero	Director	Managing Director Ramirez & Co. Inc. New York, NY	2006

Member	Title	Occupation	Member Since
Zubeen Shroff	First Vice Chair and Treasurer	Healthcare Consultant Galen Partners Stamford, CT	2009
Michael Staib	Director	Senior Technology Executive Pernod/Richard Brands New York, NY	2007
Mark Tulis	Vice Chair	Attorney-at-Law Tulis, Wickes, Huff & Geiger, LLP Tarrytown, NY	1997
James Vodola	Ex-Officio	Certified Public Accountant Pascorp White Plains, NY	2011
Simon Vukelj	Ex-Officio	Director of Communications Children Tumor Foundation New York, NY	2012
Richard G. Wishnie	Ex-Officio	President Richard G. Wishnie & Associates, LLC Briarcliff Manor, NY	2014

Officers of the Corporation

The officers of the Board of Directors of the Corporation as of January 1, 2016:

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

Executive Staff of the Corporation

The key members of the executive staff of the Corporation as of January 1, 2016 are as follows:

Michael D. Israel

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

Mr. Israel previously served as the COO of the North Shore Long Island Jewish Health System based in Great Neck, New York, where he was responsible for the operational performance of the system's hospitals. From 1993 to 2002, he served as the CEO of Duke University Hospital, the University's Vice Chancellor for Health Affairs and as Vice President of the Duke University Health System. Prior to Duke, he served in operational and financial

leadership positions at St. Luke's Episcopal Hospital/Texas Heart Institute in Houston, Texas, and hospitals and healthcare organizations in Pennsylvania and New Jersey.

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

Gary F. Brudnicki

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

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

Marsha Casey

Marsha Casey is Executive Vice President of Network Strategy and Integration of the Corporation. Ms. Casey has served as Executive Vice President at the Corporation since July 2008 and brings more than 30 years of healthcare experience to the Medical Center.

Ms. Casey previously served as the President of Trinity Health, Michigan, a national not-for-profit Catholic Health Care System with headquarters in Novi, Michigan, where she was responsible for the strategy and operational performance of system hospitals in Michigan. Prior to that role she served as the Executive Vice President of the Western Region of Trinity Health from 2004 to 2007. Previous to that role, she served as President and CEO of St. Vincent Health in Indianapolis, Indiana. Prior to St. Vincent Health, she was President and CEO of Vanderbilt University Medical Center in Nashville, Tennessee. Prior to that she served in operational leadership positions at St. Luke's Episcopal Hospital/Texas Heart Institute in Houston, Texas, and has served in operational roles in other hospitals and healthcare organizations in Texas.

Ms. Casey holds a Master of Arts, in Health Care Administration from The University of Texas at Tyler and a Bachelor of Science, Nursing, from Ball State University. She is a Fellow of the American College of Healthcare Executives.

Mark Fersko

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

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

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

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

Julie Switzer

Julie Switzer is Executive Vice President and General Counsel of the Corporation. Ms. Switzer has served as General Counsel since March 2007, and brings more than 25 years of healthcare and hospital law experience to the Corporation. Ms. Switzer is a member of the Corporation's senior management team and works closely with Mr. Israel and Mr. Brudnicki on their strategic initiatives, provides them with legal counsel and serves as counsel to the Corporation's Board of Directors. Under Ms. Switzer's leadership, the Corporation's Department of Legal Affairs is a team of nine (9) attorneys handling, among others, corporate, real estate, litigation, regulatory, labor and employment, managed care, and patient care matters.

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

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

Medical Staff

As of December 31, 2015, the Medical Center had a medical staff of 1,261 physicians. Approximately 99% of the active medical staff members are board-certified or board-eligible, and the average age of the active staff is approximately 52 years. The following table illustrates the number of physicians by clinical department:

Clinical Department	Valhalla	MidHudson	Combined
Anesthesiology	62	19	81
Dental Medicine	41	0	41
Emergency Medicine	38	12	50
Medicine	174	153	327
Neurology	19	12	31
Neurosurgery	21	2	23
OB/GYN	27	13	40
Ophthalmology	28	11	39
Orthopedic Surgery	27	23	50
Otolaryngology	19	4	23
Pathology	19	2	21
Pediatrics	245	12	257
Psychiatry	44	13	57
Radiation Medicine	5	3	8
Radiology	26	16	42
Rehabilitation Medicine	14	5	19
Surgery	73	28	101
Urology	38	13	51
TOTAL	**920**	**341**	**1,261**

Employees

As of December 31, 2015, the Corporation has approximately 2,901 employees, including 1,465 professional nurses at the Valhalla campus. To date, the Corporation has had a satisfactory working relationship with its unions. The unions with a significant membership at the Medical Center are: New York State Nurses Association ("NYSNA"); Civil Services Employees' Association, Inc., Local 860, Unit 9201, AFSCME, AFL-CIO ("CSEA"); and Committee of Interns and Residents ("CIR"). The Medical Center's Collective Bargaining Agreement with CSEA expires on December 31, 2018. The collective bargaining agreement with NYSNA expired March 31, 2011 and the one with CIR expired on March 31, 2010. Negotiations are on-going, while those two unions' employees continue to work at the Medical Center. The Corporation and its employees are subject to the Taylor Law, which governs employment relations for public employees in New York State, prevents management from "locking-out" employees and prevents employees from striking against employers such as the Corporation.

The Corporation offers its employees the opportunity to participate in the following benefit plans: comprehensive health care coverage, which includes medical, prescription drugs,

dental and vision coverage; A 457 Plan, known as the Deferred Compensation Plan of the State of New York, New York State and Local Retirement System; NYS Tuition Reimbursement Plan, a Flexible Spending Account Plan; an Employee Assistance Program and Credit Union Payroll Deduction. In 2015 and 2016, the employer contributions to the pension plan for the Corporation's employees approximated $36.3 million and $38.9 million, respectively. To date, the Corporation has made all required contributions to the pension plan.

As of December 31, 2015, the Corporation has approximately 1,304 full time equivalents, including 282 professional nurses at the MidHudson campus provided through Mid-Hudson Valley Staffco, LLC ("Mid-Hudson Valley Staffco"), a professional employment organization. Mid-Hudson Valley Staffco has a collective bargaining agreement with 1199, a health care worker union that covers substantially all the employees at MidHudson.

Mid-Hudson Valley Staffco currently offers its employees the opportunity to participate in the following benefit plans: comprehensive health care coverage, a defined contribution pension plan and an employee assistance program.

For a discussion of the Corporation's pension liabilities see Note 7 of "Appendix B - Audited Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2014 and 2013". See Note 2 "Pending Accounting Pronouncements", regarding GASB No. 68 Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27, which was adopted by the Corporation in 2015. For a discussion of the Corporation's other post-employment retirement benefits and a discussion of GASB 45, see Note 8 of "Appendix B – Audited Financial Statements of the Westchester County Health Care Corporation as of and for the Years Ended December 31, 2014 and 2013".

CURRENT CHALLENGES

The current major challenge for the Medical Center is the rapid change in health care delivery precipitated by the Affordable Care Act. Consistent with State and Federal initiatives, it is clear that there will need to be a focus on developing a regional system of care encompassing community-based providers throughout the Hudson Valley region, including multispecialty physician groups, community hospitals, federally qualified health centers and behavioral health clinics. See "STRATEGY AND FUTURE PLANS" herein.

STRATEGY AND FUTURE PLANS

Strategy of the Corporation

The Corporation's commitment is to serve the healthcare needs of all Hudson Valley residents, regardless of their ability to pay. For nearly 40 years, the Corporation has served as the region's tertiary and quaternary care referral center, providing high-quality advanced health services and treating the region's most complex clinical cases. As the Hudson Valley's only academic medical center, it is the primary training ground for the next generation of physicians, and a leader in conducting cutting-edge research that brings new life-saving treatments to the children and adults of the region.

The healthcare environment is rapidly shifting due to changing economics driven by the Affordable Care Act (ACA) and the New York State Medicaid Delivery System Reform Incentive Payment ("DSRIP") Program that is expected to bring $8 billion additional Federal dollars to New York through a waiver project. Additionally, the following factors: (i) market consolidation in New York City and the Hudson Valley, (ii) a growing, diversifying and aging patient population across the region, (iii) fiscal pressures in clinical, academic, and research enterprises, (iv) advances in the delivery of healthcare services, and (v) payer's increasing focus on new payment models based on higher quality care at lower cost, are all galvanizing forces impacting the Corporation's structure and operations. (See "Service Area and Market Environment" herein).

The Corporation's success in this emerging environment is contingent, in part, upon developing a true system of care within the Hudson Valley that integrates and coordinates patient services across the continuum, from preventive and primary care to the most complex procedures and advanced treatments delivered by specialists. The first step in the development of this system was the 2014 acquisition of St. Francis Hospital and its integration as the new MidHudson campus of the Medical Center. The second step was undertaken in May 2015, when the Medical Center further expanded its service capabilities by acquiring a 60% economic interest in BSCHS, which it also manages. BSCHS is comprised of three community hospitals, two skilled nursing facilities and an assisted living facility. BSCHS also controls the Bon Secours Charity Health System Medical Group P.C.

Over the course of the next five years, guided by the Strategic Plan described below, the Corporation will continue to develop and optimize other system components critical to its evolution, including: a robust physician network of primary care physicians and specialists; a strong network of community providers throughout the Hudson Valley; robust outpatient services and access sites; a network of continuing care providers; world-class information technology and analytics; and a renewed emphasis on growth and improvement in its medical education programs and research initiatives linked to its newly evolving clinical enterprise.

2016 Capital Projects

The proceeds from the sale of the Series 2016 Bonds and certain other available moneys will be used to finance and reimburse the Corporation for all or a portion of certain routine capital projects and other capital projects at the Corporation's facilities, including: (a) the construction and equipping of an approximately 280,000 square foot Ambulatory Care Pavilion, which will include (i) approximately 160,000 square feet of ambulatory care space and employed physician offices, as well as administrative space, (ii) approximately 100,000 square feet for medical office space for rent to certain medical practice groups, and (iii) an approximately 20,000 square foot expansion of the main hospital tower for the creation of up to 24 private rooms; (b) lobby renovations and enhancements on the main hospital campus; and (c) improvements and reconfiguration of parking to accommodate the new facilities. The Corporation expects to break ground on the aforementioned projects in June of 2016 and be ready for occupancy sometime in late 2018. The purpose of the Ambulatory Care Pavilion is to create a dedicated ambulatory care space in order to expand capacity and improve services, create a floor dedicated to medical office space for Advanced Physician Services, one of the Medical Center's physician practice groups, and to relocate certain executive offices.

Construction of modern facilities is an important component in attracting patients and furthering the Corporation's strategy of building an integrated Hudson Valley health network.

Westchester Medical Center's 2020 Strategic Plan

In recognition of the need to respond to the changing environment the Corporation's Board of Directors adopted a new Strategic Plan in February, 2015, that includes a new Mission Statement and Vision Statement:

> *Westchester Medical Center's vital mission is to provide the highest-quality care for all residents of the Hudson Valley regardless of ability to pay. Westchester Medical Center will build on its long tradition of delivering the most advanced services in the region by providing a system that ensures access to a coordinated continuum of care for its community. As the region's only academic medical center, Westchester Medical Center is committed to educating the next generation of caregivers for the Hudson Valley and integrating research to advance treatment, expand knowledge, and improve lives.*
>
> *Westchester Medical Center's vision is to be the provider of choice for Hudson Valley residents by establishing a system of care with multiple points of access to ensure availability of care close to home. Westchester Medical Center will leverage its unique strength as an academic medical center to provide the highest quality, patient-centered care in a respectful and compassionate environment and lead the transformation of health care in the Hudson Valley to continuously respond to the needs of its community.*

The Westchester Medical Center's 2020 Strategic Plan is structured around three primary goals, supported by eight enabling strategies designed to chart the course of the Medical Center over the next five years.

The first primary goal is to develop a Hudson Valley "System of Care". The Medical Center expects to implement this by (i) continuing to seek new relationships with community hospitals, (ii) strengthening alignment with leading physician groups and further evolve employed physician groups, and (iii) expanding clinical specialty services. The second goal is to advance integration across the continuum of care. This goal is to be accomplished by (i) leveraging the DSRIP opportunity described below, to link providers and services across the continuum of care and to build population health management capabilities, (ii) expanding outpatient services capabilities and (iii) developing a post-acute services strategy. The third goal is to optimize clinical education and research by enhancing academic affiliations. In furtherance of this goal, the Medical Center is (i) finalizing a new academic affiliation agreement with New York Medical College, and (ii) working towards developing a new research institute.

These goals and strategies are designed to guide the evolution of the Corporation to meet the needs of the Hudson Valley while developing and catalyzing innovations to improve the quality of care and health outcomes throughout the region. The Corporation's Strategic Plan outlines the building blocks of a forward-looking strategy that seeks to advance coordination and

efficiency while expanding the organization's clinical and academic reach to better serve the region.

DSRIP

The Corporation is leading one of the twenty-five Performing Provider Systems (PPS) in New York State that are implementing the DSRIP Program. This plan, known as WMCHealth PPS, is expected to receive up to $274 million over the five year life of the DSRIP Program, which commenced April 1, 2015, subject to satisfaction of program milestones that are measured at various stages of the Program. To date, the Corporation has received approximately $33 million in DSRIP funds.

The WMCHealth PPS involves partnerships with over 200 organizations throughout its primary and secondary service areas. These include other hospitals, physician groups, community health centers, behavioral health providers, county health and mental health departments and community-based organizations. The Program's goals include more efficient and effective delivery of care to Medicaid recipients and the reduction of unnecessary emergency room visits, hospitalizations and readmissions.

Bon Secours Charity Health System

The addition of the BSCHS to the Corporation's system represents a significant step towards realization of the Westchester Medical Center 2020 Strategic Plan. The BSCHS facilities and services are complementary to those offered by the Corporation's two existing hospital facilities and deepen the presence of the Medical Center within its existing service area. The combination is expected to result in improving performance at BSCHS through:

- integration of clinical services leading to more effective and efficient patient care in the service area;
- expansion of advanced care available at the BSCHS facilities;
- implementation of telemedicine and tele-ICU services to improve delivery of specialty services; and
- reduction in overhead costs due to integration with the Medical Center.

BSCHS is also a significant partner in the Westchester Medical Center DSRIP program and is expected to be a recipient of funding through that Program. On March 4, 2016, BSCHS was awarded $24.5 million from The New York State Capital Restructuring Finance Pool.

Health Alliance of the Hudson Valley

Health Alliance of the Hudson Valley ("HAHV") is a healthcare system based in Kingston, New York that includes the two 150-bed hospitals in Kingston, a 15-bed critical access hospital in Margaretville, New York and an 82-bed skilled nursing facility, also in Margaretville. The Corporation has entered into a Letter of Intent ("LOI") to become the sole corporate member of HAHV and assume responsibility for its management. A condition to consummating this

transaction is HAHV's receipt of a sufficient capital award from the New York State Capital Restructuring Finance Pool to support the consolidation of the two hospitals in Kingston into one 200-bed hospital. On March 4, 2016, HAHV was awarded $88.8 million from The New York State Capital Restructuring Finance Pool. The transaction is scheduled to close prior to March 31, 2016. Successful completion of the transaction would not require WMC to provide any funds to HAHV.

AFFILIATIONS AND RELATED ENTITIES

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

Affiliations

New York Medical College

The Medical Center is committed to training physicians and provides training for qualified physicians in its graduate medical education programs. In furtherance of the Medical Center's commitment to medical education, it is closely affiliated with New York Medical College ("NYMC"), whose corporate member is Touro College. Annually, the Medical Center's medical staff trains approximately 350 residents and fellows in approximately 38 accredited graduate medical education training programs.

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

Related Entities

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

Westchester Medical Center Foundation, Inc.

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

Mid-Hudson Valley Early Education Center

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

WMC-New York, Inc.

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

WMC-New York employs the staff of the WMC Foundation and the Center for Regional Healthcare Innovation, LLC. ("CRHI"). In addition, WMC-New York is the holder of 100% of the shares in WCHCC (Bermuda), Limited ("WCHCC Bermuda") (described below), as well as is the sole member of three limited liability companies, Mid-Hudson Valley StaffCo, Hudson Valley Property Holdings and CRHI.

North Road LHCSA, Inc.

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

NorthEast Provider Solutions, Inc.

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

WCHCC (Bermuda) Limited

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

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

Westchester Medical Center Advanced Physicians Services, P.C.

On March 11, 2009, Westchester Medical Center Advanced Physician Services, P.C. ("WMC Advanced Physician Services") was organized and incorporated under the New York Business Corporation Law as a professional corporation controlled by the Medical Center. WMC Advanced Physician Services employs physicians and other clinical personnel to engage in clinical activity and provide teaching, supervision and administrative services to the Medical Center. As of December 2015, there are approximately 246 physician FTE's and 219 nurse practitioner, physician assistant and other staff FTE's in the employment of WMC Advanced Physician Services.

Westchester Medical Regional Physician Services, P.C.

On May 9, 2014, Westchester Medical Regional Physician Services, P.C. ("WM Regional Physician Services"), was organized and incorporated under the New York Business Corporation Law as a professional corporation controlled by the Corporation. WM Regional Physician Services employs physicians and other personnel engaged in clinical activities. As of December 31, 2015, 38 physicians and 30 nurse practitioners, physician's assistant and other staff FTE's were in the employment of WM Regional Physician Services.

Mid-Hudson Valley Staffco, LLC

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

Center for Regional Healthcare Innovation, LLC

The Center for Regional Healthcare Innovation ("CRHI") is a WMC-NY subsidiary limited liability company. CRHI was formed in 2014 to design and execute strategies to transform healthcare in the Hudson Valley through participation in New York State's five-year, $8 Billion DSRIP program. The Center will also help accomplish WMC's Population Health

Management strategy and facilitate the transition to Value Based Payment contracting with major public and private health insurers.

SERVICE AREA AND MARKET ENVIRONMENT

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

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

Primary Service Area: the counties of Westchester, Orange, Rockland, Dutchess and Putnam

Secondary Service Area: the counties of Ulster and Sullivan

Others include the counties of Fairfield, Connecticut and Bergen, New Jersey, and portions of the Northern Bronx, among others.

This collaborative approach supports current initiatives of providing care on a cost effective basis as the regional preferred tertiary and quaternary partner in support of community based hospitals and other providers.

The primary trend in the Medical Center's market environment is the continuing pressure to control health care costs while improving clinical outcomes. This trend has resulted in a significant shift in the site of care from inpatient hospitals to ambulatory care facilities and physicians' offices.

New York State has engaged in two major initiatives within the past few years. The first was the Commission on Health Care Facilities in the 21st Century, known as the Berger Commission. The activities of this Commission resulted in significant reductions in the number of hospital and nursing home beds in the State through downsizings, mergers and closures of facilities, including the closure of the Taylor Care Center nursing home.

The second State initiative is the restructuring of the Medicaid system to provide population health management, deemphasize inpatient care and grow primary and ambulatory care. In 2014, the DSRIP program was formed to restructure healthcare. This five-year Federal waiver is expected to bring New York providers $8 billion in new Federal funding with the goal of transforming the health care delivery system for Medicaid recipients.

These State initiatives are consistent with national interest in health care reform. While health care reform will increase the number of persons covered by health insurance programs, it also will impose significant cost controls on the health care system. The exact nature of these controls is not fully known at this time, but is likely to include mechanisms that will more directly link payment to outcomes.

Impact of Market Environment Trends on Westchester Medical Center

The Medical Center's position in its markets, as the sole tertiary care facility providing convenient access to high level care, has cushioned it from some of the potential downward pressures on utilization. Annual inpatient discharges at the Valhalla Campus have declined from a level of 23,594 in 2010 to 20,713 in 2014 due in part to observation cases and the new Medicare Two Midnight Rule. The Main Hospital generally operates at approximately 80% occupancy while the Children's Hospital operates at approximately 90% occupancy.

Geographic Origin of Inpatients

The following chart sets forth the geographic origin of inpatients excluding newborns at the Medical Center for the four years ending December 31.

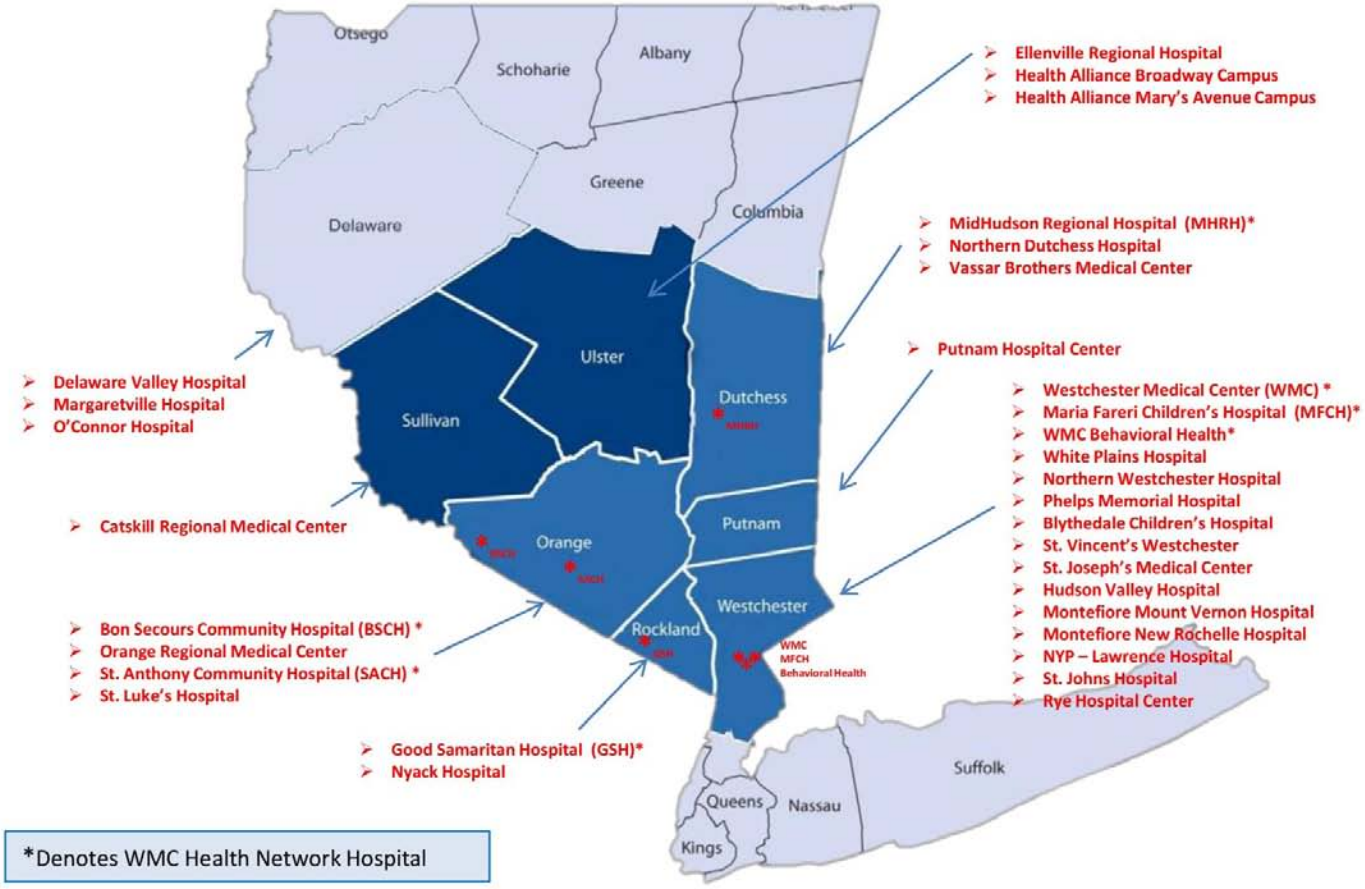
County	**2011**	**2012**	**2013**	**2014**
Westchester	12,780	11,349	11,456	11,140
Orange	2,290	2,128	2,171	2,155
Rockland	1,663	1,639	1,598	1,714
Dutchess	1,302	1,306	1,393	1,476
Putnam	842	743	829	799
Ulster	564	537	564	495
Sullivan	604	467	505	537
Subtotal Primary & Secondary Service Area	20,045	18,169	18,516	18,316
All Other	2,745	2,438	2,342	2,397
Total	22,790	20,607	20,858	20,713

Source: Statewide Planning and Research Cooperative System, compiled and administered by the New York State Department of Health ("SPARCS"). SPARCS data may not reflect certain minor adjustments to case classification (i.e. inpatient, outpatient, observation) following submission of such data to SPARCS.

MidHudson, a community hospital, which began operations under the Corporation on May 9, 2014, generally operates at approximately 50% occupancy. The above chart excludes inpatients from this facility.

The following map illustrates the Medical Center's primary and secondary service areas, and the location of other New York State healthcare institutions within the region.

Hudson Valley Acute Care Hospitals
And WMC Health Network Hospitals
Listed by County



*Denotes WMC Health Network Hospital

Local Providers

The following table sets forth the major community hospitals in the Medical Center's primary service area, the number of discharges (excluding routine nursery discharges) from each for residents of the primary and secondary service areas for the year ended December 31, 2014 and the corresponding market share.

Hospital	2014 Discharges	Market Share
Orange Regional Medical Center[1]	19,787	8.6%
Westchester Medical Center[2]	18,316	7.9%
Vassar Brothers Medical Center[3]	17,852	7.7%
Good Samaritan Hospital[2]	13,699	5.9%
White Plains Hospital Center[4]	13,273	5.8%
Nyack Hospital[5]	11,425	5.0%
Health Alliance	9,508	4.1%
St. Lukes Cornwall Hospital – Newburgh Campus[4]	9,271	4.0%
St. Johns Riverside Hospital – Andrus Pavilion[5]	8,945	3.9%
Northern Westchester Hospital[6]	8,079	3.5%
Lawrence Hospital Center[7]	7,872	3.4%
Hudson Valley Hospital Center[7]	6,853	3.0%
Phelps Memorial Hospital Center[6]	6,369	2.8%
Putnam Hospital Center[3]	5,885	2.6%
Sound Shore Medical Center of Westchester[4]	5,885	2.6%
St. Francis Hospital – Poughkeepsie[2]	5,504	2.4%
St. Joseph's Medical Center Yonkers[5]	4,343	1.9%
Catskill Regional Medical Center[1]	3,687	1.6%
Northern Dutchess Hospital[3]	3,510	1.5%
All Other Local Hospitals[8]	17,422	7.6%
All Hospitals Outside the Region[9]	33,204	14.2%
Total:	**230,689**	**100.0%**

Source: NYS DOH, SPARCS data

1 Member of Greater Hudson Valley Health System
2 Member of the WMC Health Network
3 Member of Health Quest System
4 Member of Montefiore Health System
5 Affiliated with Montefiore Health System
6 Member of Northwell Health System
7 Member of New York Presbyterian Healthcare System
8 Local hospitals include hospitals situated in the seven county Hudson Valley Region, which are Westchester, Rockland, Ulster, Orange, Sullivan, Dutchess and Putnam Counties
9 No hospital exceeds 5,000 discharges, except for NY Presbyterian Hospital Columbia which had 6,152 discharges.

Competition

The following table sets forth the major tertiary hospitals that are competitors of the Medical Center in its primary and secondary service areas and the number of discharges of residents of the service area from each hospital for the year ended December 31, 2014.

Hospital	2014 Discharges	Market Share
Westchester Medical Center	18,316	42.6%
NY Presbyterian - Columbia	6,152	14.3%
Montefiore Medical Center	4,152	9.7%
Mount Sinai Medical Center	4,051	9.4%
NY Hospital	2,512	5.8%
Memorial Sloan-Kettering Cancer Center	2,463	5.7%
Albany Medical Center	1,948	4.5%
Hospital for Special Surgery	1,865	4.3%
NYU Langone Medical Center	1,487	3.5%

Source: NYS DOH, SPARCS data.

UTILIZATION

General

The following charts set forth Valhalla Campus utilization statistics, excluding routine nursery, for the Medical Center for each of the preceding four years, for the Medical Center as a whole, and inpatient utilization for the same periods for each of the Main Hospital and the Children's Hospital. Approximately 50% of the Medical Center's patients are admitted through the ED.

	Medical Center Years Ended December 31,			
	2012	2013	2014	2015
Discharges	20,505	21,273	20,557	20,892
Patient Days	183,651	192,438	191,665	191,569
Average Length of Stay (in Days)	8.96	9.05	9.32	9.17
Average Daily Census	502	527	525	525
Average Beds Available	652	652	652	652
Percent of Occupancy	77.5%	80.9%	80.5%	80.5%
Emergency Room Visits	38,590	39,021	42,074	45,104
Clinic Visits	51,669	49,953	51,714	51,687
Ambulatory Surgery Visits	9,031	8,948	9,377	10,127

	Main Hospital Years Ended December 31,			
	2012	**2013**	**2014**	**2015**
Discharges	15,680	15,939	15,167	15,556
Patient Days	143,961	151,002	151,099	148,421
Average Length of Stay (in Days)	9.18	9.47	9.96	9.54
Average Daily Census	393	414	414	407
Average Beds Available	525	525	525	516
Percent of Occupancy	74.9%	78.8%	78.9%	78.8%
Emergency Room Visits	38,590	39,021	42,074	45,104
Clinic Visits	47,661	46,108	47,952	48,010
Ambulatory Surgery Visits	9,031	8,948	9,377	10,127

	Children's Hospital Years Ended December 31,			
	2012	**2013**	**2014**	**2015**
Discharges	4,825	5,334	5,390	5,336
Patient Days	39,690	41,436	40,566	43,148
Average Length of Stay (in Days)	8.23	7.77	7.53	8.09
Average Daily Census	108	114	111	118
Average Beds Available	127	127	127	136
Percent of Occupancy	86.9%	89.4%	87.5%	86.9%
Clinic Visits	4,008	3,845	3,762	3,677

The following sets forth utilization statistics at MidHudson from the date of acquisition, May 9, 2014 to December 31, 2014 and 2015.

	May 9 – December 31, 2014	**2015**
Discharges	4,071	6,314
Patient Days	30,181	47,880
Average Length of Stay	7.41	7.58
Average Daily Census	127	131
Average Beds Available	243	233
Percent of Occupancy	52.41%	56.3%
Emergency Room Visits	17,865	27,397

Management's Discussion of Utilization

The Medical Center's Valhalla Campus utilization statistics have remained consistent over the period shown. In particular, overall inpatient discharges were 20,505 in 2012 and were 20,892 in 2015. Acute adult patients discharges at the Main Hospital increased over the period offset by a decrease, in part due to observation cases and the Medicare Two Midnight rule. The Children's Hospital reached full capacity utilization in 2009, and has maintained operations at approximately 90% occupancy, even as additional beds were put into service. See "THE MEDICAL CENTER – General -*The Children's Hospital*" herein.

FINANCIAL HISTORY OF THE CORPORATION

Transfer of Operations from the County

Transition Agreement

In 1998, when the Corporation was created and the County transferred responsibility for the Medical Center to the Corporation, the County and the Corporation entered into the Transition Agreement, as amended (the "Transition Agreement"), to govern the transition of control of the programs, services and operations of the Medical Center and its related assets to the Corporation. Upon execution of the Transition Agreement, the Department of Hospitals ceased to exist as a County department and the Corporation assumed complete operation of the Medical Center. The Transition Agreement required the County to provide certain subsidies and credit support to the Corporation and the Corporation to provide certain patient services within certain service areas. The goal of this arrangement was to promote the financial independence of the Corporation from the County. In 2008, the Transition Agreement was amended and restated in its entirety by the Cooperation Agreement, described below, which currently governs the relationship between the Corporation and the County.

Lease Agreement

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

The Corporation's obligation to pay rent to the County is based upon a formula established in the Lease Agreement of market rent multiplied by the Consumer Price Index. The Corporation may be obligated to pay the County market rent for the leased facilities, however, the value of any equipment used primarily for care, treatment or diagnosis of disease or injury or the relief of pain and suffering of sick or injured persons is not included in the computation of market rent if inclusion would materially increase the market rent. If the sum of the Corporation's retained earnings/net assets and the market rent is less than $8 million and certain other conditions are met, rent may be abated in its entirety under certain circumstances. No rent was due or paid for the years 2009 through 2015. The Corporation does not expect rent to be due in 2016.

Modifications and County Guaranty Agreement

In November 2000, the County and Corporation modified the Transition Agreement and the Lease Agreement in anticipation of the Corporation's issuance of senior lien bonds. The County expressly agreed to subordinate its lien on collateral granted to it by the Corporation under the Transition Agreement and the Lease Agreement to the security interest in the Gross Receipts to secure bonds. Further, the parties agreed that so long as any obligations are

outstanding, the County may not, except in limited circumstances, (i) terminate the Lease Agreement or (ii) foreclose any lien on the collateral granted to it pursuant to the Lease Agreement or the Transition Agreement. Under the Modification Agreement, other than those rights that are specifically waived, the County expressly reserves all of its rights and remedies under the Cooperation Agreement (which amended and restated the Transition Agreement in its entirety), the Guaranty Agreement and the Lease Agreement, including the right to exercise control over the Corporation's operations or appointment of a receiver, in the event of a default by the Corporation.

Mortgage

The Lease Agreement permits the Corporation, under certain circumstances, to assign, mortgage, and pledge or otherwise encumber such leasehold interest. The Series 2016 Bonds will be secured by such a mortgage (the "Mortgage") on the Corporation's leasehold interest under the Lease Agreement, as are bonds secured by Obligations under the Master Indenture. Any proceeds realized from such Mortgage will be applied proportionately to all obligations issued under the Master Indenture, including the Outstanding Senior Bonds (as defined below under "Outstanding Indebtedness").

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

Relationship with the County

In the years after the transfer of the Medical Center to the Corporation, the Corporation experienced several consecutive years of significant losses. In 2004, the Corporation's Board of Directors engaged Pitts Management Associates, Inc. ("Pitts"), an outside consulting firm experienced in hospital turnaround projects, to manage the Medical Center. Pitts deployed a number of individuals to fill key leadership roles at the Medical Center who are credited with assisting in the Medical Center's financial turnaround. Pitts' engagement at the Medical Center ended in May, 2007, at which time the individuals serving in the roles of Chief Executive Officer and Chief Operating/Financial Officer became full-time employees of the Corporation and such individuals continue in their respective roles today. The Corporation's permanent management has achieved ten consecutive years of profitable operating results.

During the turnaround of the Corporation, in 2006, the State of New York also stepped in to support the Corporation by temporarily increasing Medicaid reimbursements and requiring the County to provide support to the Corporation as enacted by the State in Chapter 593 of the Laws of New York ("Chapter 593"). Chapter 593 amended certain sections of the New York Public Health Law, which resulted in increased Medicaid reimbursement to the Corporation for a three-year period commencing in 2006. Chapter 593 also required the County to commit an aggregate of $85,000,000 of cash and in-kind services to aid the Corporation over the same three-year period (the "593 Commitment"). The $85 million operating contribution included cash of $40 million from tobacco settlement revenues paid in 2006 and in-kind services valued at

$45 million over three years, ending in 2008. Although not required, in 2009, the County chose to provide the Corporation with a further contribution in the form of in-kind services (*e.g.* utilities and grounds keeping) valued at approximately $9.7 million at no charge. In 2010, due to budgeting pressures, the County began charging the Corporation approximately $8.5 million for such services and has continued to charge the Corporation for such services through December 31, 2015 . The Corporation expects the County to continue to charge for these services moving forward.

Cooperation Agreement

In connection with the 593 Commitment, the County and the Corporation entered into the Cooperation Agreement to restate the relationship between the County and the Corporation as first memorialized by the Transition Agreement in 1998. Executed in 2008, under the Cooperation Agreement, the County acknowledged the 593 Commitment and the Corporation acknowledged its responsibility to operate as a hospital for the benefit of the people of the County and the State. The goal of the Cooperation Agreement, like the Transition Agreement that it replaced, is the economic independence of the Corporation from the County. The County agrees to promote and support the operations of the Corporation as the County deems necessary and appropriate and the Cooperation Agreement provides a framework through which the County will consider additional requests for financial support from the Corporation. The Cooperation Agreement includes a plan to reduce any such amounts of working capital support guaranteed by the County. See "-Relationship with the County" herein.

If the Corporation is in breach of the Cooperation Agreement, and if the breach is not cured or curable by the Corporation, then, in addition to all other rights and remedies available to the County at law or in equity or otherwise available under the Cooperation Agreement, the County also maintains the following rights and remedies:

- The County may request, and the Corporation shall provide, access to the books, records, files and papers of the Corporation for the period of time reasonably related to the breach;

- The County may request and the Corporation shall assign to the County (subject to the pledge of Gross Receipts under the Master Indenture) its right to receive revenue from any source;

- The County may request and the Corporation shall grant to the Commissioner of Finance and Budget Director of the County jointly or any other person designated by them (the "County Approver") the right to approve every new contract of the Corporation in excess of $250,000, excepting contracts relating to medical emergencies;

- The County may request and the Corporation shall review every material financial decision and financial policy with the County Approver and obtain the approval of the County Approver before implementing such decision or policy; and

- The County may request and the Corporation shall submit its existing and any proposed budget to the County Approver for approval and implement any changes requested by the County Approver.

The Cooperation Agreement expires December 31, 2017, but may be renewed by the parties no less than eighteen (18) months prior to its expiration. Either party, upon 90 days' notice, may terminate the Cooperation Agreement as long as there is no outstanding indebtedness of the Corporation guaranteed by the County. The Corporation currently does not have any indebtedness outstanding that is guaranteed by the County.

Outstanding Indebtedness

At December 31, 2015, the Corporation had $460,709,570 of indebtedness outstanding evidenced by obligations under the Master Indenture. That amount consists of (i) $108,170,000 aggregate principal amount of the Corporation's Revenue Bonds, Series 2000A - Senior Lien; (ii) $37,390,000 aggregate principal amount of the Corporation's Revenue Bonds, Series 2010A (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (iii) $78,380,000 aggregate principal amount of Revenue Bonds, Series 2010B (Tax-Exempt) – Senior Lien: (iv) $31,450,000 aggregate principal amount of Revenue Bonds, Series 2010C-1 (Federally Taxable – Direct Placement-Build America Bonds) – Senior Lien; (v) $32,410,000 aggregate principal amount of Revenue Bonds, Series 2010C-2 (Tax-Exempt) - Senior Lien; (vi) $57,280,000 aggregate principal amount of Revenue Bonds, Series 2010D (Taxable) – Senior Lien, (vii) $48,585,000 aggregate principal amount of Revenue Bonds, Series 2011A (Tax-Exempt) – Senior Lien, (viii) $15,295,000 aggregate principal amount of Revenue Bonds Series 2011B (Tax-Exempt) – Senior Lien, (ix) $26,941,000 aggregate principal amount of Revenue Bonds, Series 2014A (Taxable) – Senior Lien, (x) $20,185,704 Dutchess County Local Development Corporation Revenue Bonds Series 2015A (Tax-Exempt) and (xi) $4,622,865 Dutchess County Local Development Corporation Revenue Bonds Series 2015B (Taxable).

In addition to the bond outstanding indebtedness identified above, the Corporation has equipment lease obligations of $14.5 million at December 31, 2015, a bank line of credit of $35 million (no outstanding amount) and has guaranteed the annual debt service on $120 million of BSCHS bonds.

The Series 2010B and 2010C-2 Bonds are to be refunded in part with a portion of the proceeds of the Series 2016 Bonds.

The proceeds of Outstanding Senior Bonds were used to provide a source of funding for a variety of capital projects that the Medical Center did not have the resources to fund out of operating cash, and for the acquisition of St. Francis Hospital.

Liquidity

The table below sets forth the cash and cash equivalents and the days cash on hand for the Corporation for the years ended December 31, 2013, 2014 and 2015.

	Year Ended December 31,			
	2013	2014	2015	Proforma2015*
Cash and Cash Equivalents (millions)	$204.4	$207.8	$118.3	$232.3
Days' Cash on Hand+	87.9	77.0	37.8	73.8

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

* Includes 2015 DSH, received in January 2016 and Bond Proceeds for cost reimbursement.

Summary of Historical Financial Information

The following summary of Historical Statement of Net Position at December 31, 2012, 2013 and 2014 and the Revenues, Expenses and Changes in Net Position of the Corporation for the years then ended have been derived from the audited financial statements of the Corporation and includes the results of the Medical Center, WMC Advanced Physician Services, WMC New York, Inc. (and its subsidiaries including WCHCC Bermuda), the Children's Hospital Foundation and the WMC Foundation as well as the operations of MidHudson and affiliated entities from May 9, 2014 to December 31, 2014. The Summary Statement of Net Position at December 31, 2015 and Revenues, Expenses and Changes in Net Position for the year then ended have been derived from the internal unaudited financial statements of the Corporation and include all adjustments which management considers necessary for the fair presentation of the financial information as of and for the period. Appendix B contains the Corporation's and its subsidiaries' audited financial statements for the years ended December 31, 2013 and 2014 with Supplemental Schedule for combining information. The summary of financial information that follows should be read in conjunction with the audited financial statements (Appendix B – Basic Financial Statements and Supplementary Schedules) and Management's Discussion of Operations. The Corporation's earlier financial statements can be found on the Corporation's website www.westchestermedicalcenter.com.

Summary Statement of Net Position

(dollars in thousands)	As of December 31,			
	2012	2013	2014	2015 (Unaudited)
Cash	$190,852	$204,421	$207,778	$118,295
Other current assets	168,348	185,350	212,752	279,898
Long-term assets	470,265	481,856	540,203	559,553
Total assets	829,465	871,627	960,733	957,746
Total deferred outflows of resources	--	--	--	6,177
Current liabilities	203,468	221,019	272,760	265,578
Long-term liabilities	646,689	665,030	698,203	708,791
Total liabilities	850,157	886,049	970,963	974,369
Total deferred inflows of resources	--	--	--	1,980
Net Position	$ (20,692)	$ (14,422)	$ (10,230)	$ (12,426)

Summary of Revenues, Expenses and Changes in Net Position

(dollars in thousands)	Year Ended December 31,			
	2012	2013	2014	2015 (Unaudited)
Operating revenues				
Net patient service revenue	$867,781	$895,372	$1,025,476	$1,163,472
Other revenue	25,652	23,416	33,655	64,311
Total operating revenue	893,433	918,788	1,059,131	1,227,783
Operating expenses				
Salaries and benefits	488,827	473,773	562,874	655,928
Supplies and other expenses	326,174	361,061	414,140	477,735
Professional liability	15,029	13,714	8,177	14,892
Depreciation and amortization	43,850	44,105	50,428	53,000
Total operating expenses	873,880	892,653	1,035,619	1,201,555
Operating income	19,553	26,135	23,512	26,228
Non-operating activities net	(18,655)	(19,865)	(19,320)	(19,006)
Increase in net position	898	6,270	4,192	7,222
Beginning net position, as previously reported	(5,568)	(20,692)	(14,422)	(10,230)
GASB 65 adoption adjustment	(16,022)	-	-	-
GASB 68 adoption adjustment	-	-	-	(9,418)
Beginning net position, as adjusted	(21,590)	(20,692)	(14,422)	(19,648)
Ending net position	$(20,692)	$(14,422)	$(10,230)	$(12,426)

Management's Discussion of Operations

Years Ended December 31, 2015 and 2014

The results for the year ended December 31, 2015 are unaudited and for the year ended December 31, 2014 represent the combined audited results of the Corporation, which includes the Medical Center (both campuses), as well as the activities of the following entities:

Mid-Hudson Valley Staffco, LLC
NorthEast Provider Solutions, Inc.
WMC New York, Inc.
WCHCC Bermuda
The Children's Hospital Foundation at WMC, Inc.
Westchester Medical Center Foundation, Inc.
Westchester Medical Center Advanced Physician Services, P.C.
Westchester Medical Regional Physician Services, P.C.
North Road LHCSA, Inc.
Mid-Hudson Valley Early Education Center

For the years ended December 31, 2015 and 2014, the Corporation generated Operating income of approximately $26.2 million and $23.5 million, respectively, and non-operating activities net of $(19.0) million and $(19.3) million, respectively.

The net position deficit increased from ($10.2) million to ($12.4) million, primarily as a result of the net income generated in 2015, which decreased the deficit, offset by the implementation of GASB No. 68 which required the Corporation to record their portion of the New York State and Local Retirement Plan unfunded liability of that plan, which increased the deficit.

Operating revenues totaled $1,227.3 million and $1,059.1 million in 2015 and 2014, respectively, which was an increase of $168.2 million (15.9%). Disproportionate Share revenue, which is included in operating revenues, totaled $57.7 million and $57.8 million in 2015 and 2014, respectively. 2015 operating revenues reflect a full years operations of MidHudson Regional Hospital (compared to May 9, 2014 to December 31, 2014 in 2014).

Operating expenses totaled $1,201.1 million and $1,035.6 million in 2015 and 2014, respectively, representing an increase of $165.5 million (16.0%). Salaries, pension and health benefits increased by a combined $91.7 million, and supplies and other increased by $73.7 million. 2015 operating revenues reflect a full year's operation of MidHudson Regional Hospital (compared to May 9, 2014 to December 31, 2014).

Cash and cash equivalents totaled $118.3 million and $207.8 million on December 31, 2015 and 2014, respectively. The reduction in cash was primarily as a result of not receiving $59 million in 2015 disproportionate share payments, which historically has been received in the fourth quarter of the calendar year. This amount was received on January 21, 2016.

Years Ended December 31, 2014 and 2013

The results for the years ended December 31, 2014 and 2013 represent the combined audited results of the Corporation, which includes the Medical Center (both campuses), as well as the activities of the following entities:

Mid-Hudson Valley Staffco, LLC
NorthEast Provider Solutions, Inc.
WMC New York, Inc.
WCHCC Bermuda
The Children's Hospital Foundation at WMC, Inc.
Westchester Medical Center Foundation, Inc.
Westchester Medical Center Advanced Physician Services, P.C.
Westchester Medical Regional Physician Services, P.C.
North Road LHCSA, Inc.
Mid-Hudson Valley Early Education Center

For the years ended December 31, 2014 and 2013, the Corporation generated Operating income of approximately $23.5 million and $26.1 million, respectively, and non-operating activities net of $(19.3) million and $(19.9) million, respectively.

The Net Position deficit improved from ($14.4) million to ($10.2) million, primarily as a result of the net income generated in 2014.

Operating revenues totaled $1,059.1 million and $918.8 million in 2014 and 2013, respectively, which was an increase of $140.3 million (15.3%). Disproportionate Share revenue, which is included in Operating Revenues, totaled $57.8 million and $50.1 million in 2014 and 2013, respectively.

Operating Expenses totaled $1,035.6 million and $892.7 million in 2014 and 2013, respectively, representing an increase of $142.9 million (16.0%). Salaries and benefits increased by a combined $89.1 million, and supplies and other increased by $53.1 million primarily due to the acquisition of St. Francis Hospital, now MidHudson Regional Hospital on May 9, 2014. Professional liability expense decreased in 2014 by $5.5 million.

Cash and cash equivalents totaled $207.8 million and $204.4 million on December 31, 2014 and 2013, respectively.

Years Ended December 31, 2013 and 2012

The results for the years ended December 31, 2013 and 2012 represent the combined audited results of the Corporation, which includes the Medical Center as well as the activities of the following entities:

WMC-New York, Inc. and Subsidiaries
WCHCC Holdings, Inc.
The Children's Hospital Foundation at WMC, Inc.
Westchester Medical Center Foundation
WMC Advanced Physician Services, P.C.

For the years ended December 31, 2013 and 2012, the Corporation generated Operating Income of approximately $26.1 million and $19.6 million, respectively, and non-operating activities net of ($19.9) million and $(18.7) million, respectively.

The Net Position deficit improved from ($20.7) million to ($14.4) million primarily as a result of operating and non-operating results as well as the implementation of accounting pronouncement GASB No. 65, which requires expensing of bond issuance costs in the year incurred rather than amortizing such amounts over the life of the debt issue, as had previously been done.

Operating revenues totaled $918.8 million and $893.4 million in 2013 and 2012, respectively, which was an increase of $25.4 million (2.8%). Disproportionate Share revenue, which is included in Operating Revenues, totaled $50.1 million and $64.0 million in 2013 and 2012, respectively.

Operating Expenses totaled $892.7 million and $873.9 million in 2013 and 2012, respectively, representing an increase of $18.8 million (2.1%). Salaries and benefits decreased by $15.0 million due to out-sourcing. Supplies and other expenses increased by $34.9 million due to higher patient volume and out-sourcing expenses.

Cash and cash equivalents totaled $204.4 million and $190.9 million on December 31, 2013 and 2012, respectively.

Historical Debt Service Coverage

The following table sets forth the historical debt service coverage ratios, calculated pursuant to the Master Indenture, which includes only the Obligated Group, for the years ended December 31, 2014 and 2013 based on the audited financial statements. For the years ended December 31, 2015, the debt service coverage ratio is calculated based on unaudited interim financial statements. The Proforma column represents 2015 unaudited financial information reflecting the impact of the 2016 bond financing.

(dollars in thousands)	Years ended December 31,			
	2013	**2014**	**2015**	**2015 Proforma**
Funds Available for Debt Service				
Income from operations	$31,508	$33,582	$32,392	$32,392
Depreciation and amortization	43,320	49,511	51,936	51,936
Interest expense	22,615	23,742	23,622	23,622
Total Funds Available for Debt Service	$97,443	$106,835	$107,950	$107,950
Total Maximum Annual Debt Service Requirements	$38,770	$43,022	$41,532	$50,986
Coverage Ratio	2.51x	2.48x	2.60x	2.12x

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

Payor Mix

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

The following table illustrates the payor mix (adults and pediatrics) for the Medical Center for fiscal years ended December 31:

	Years Ended December 31,			
Payor	**2012**	**2013**	**2014**	**2015***
Medicaid	37%	37%	38%	38%
Medicare	25	25	27	29
Blue Cross	11	12	12	11
Commercial/Managed Care	19	19	17	17
Worker's Comp/No Fault	4	4	4	4
Self-Pay	4	3	2	1
Total	100%	100%	100%	100%

*Combined Valhalla Campus and MidHudson

Reimbursement Methodologies

The Corporation has been successful in negotiating significant increases in its managed care payor rates as well as accessing significant disproportionate share reimbursement.

Medicare

New York State hospitals are reimbursed for Medicare inpatient services under the national prospective payment system ("PPS"). Under PPS, inpatient acute services are paid at prospectively determined rates per discharge adjusted for variations in regional wage differences with additional payments for teaching services, services to the indigent population and high cost cases. These rates are then adjusted according to a patient classification system that takes into account clinical information including diagnosis and procedures, and other related factors. Non-acute inpatient services primarily Psychiatry and Rehabilitation Medicine are also paid based on prospectively determined payment rates based upon clinical and diagnostic factors specific to those specialties. Outpatient reimbursement is a prospective payment system adjusted for geographic wage differences and based upon nationally recognized CPT/HCPCS codes.

Medicaid, Blue Cross and Commercial Insurance Carriers

In New York State, Medicaid is a jointly funded federal-state-local program administered by the State. On January 1, 2009, the federal share was temporarily increased from 50% to 60%, however, it returned to the 50% share level on July 1, 2011. The remainder of the costs are shared by the State and the Social Services District of the patient's residence. Every year the Medicaid reimbursement rates for the forthcoming year must be certified by the New York State Commissioner of Health and approved by the State Director of Budget with CMS approval.

Effective December 1, 2009, New York State revised the Medicaid, Workers Compensation / No-fault and Corrections inpatient payment system in accordance with Article 2807-c and Article 2807(7) of the Public Health Law as amended by Chapter 58 of the Laws of 2009. The revised Medicaid and related payors inpatient prospective payment system as identified above is based upon a new Diagnostic Related Group (DRG) System called "All Patient Refined (APR)", which has 314 DRG's and four levels of patient severity within each of the 314 DRG's or 1256 potential different payment levels. This new system mirrors the Medicare methodology which bundles all hospitals into one singular base DRG rate applicable to all hospitals updated to reflect 2005 actual hospital Medicaid cost data in the aggregate adjusted for individual hospital compensation levels with adjustments for capital cost, graduate medical education services and high cost outlier cases.

All other non-Medicare payors, predominantly commercially insured products, continue to be reimbursed based under a different Diagnostic Related Group methodology with higher negotiated contracted rates, or if no contracts exist, at the hospital's established charges.

Under New York State Health Care Reform Act ("HCRA") regulations effective December 1, 2007, pools were established for the financing of public goods, consisting of indigent care, healthcare initiatives and graduate medical education. Third-party payors are required to pay into these pools, but, through fiscal incentives, they are financially advantaged to

make payments directly to public good pools, although they have the choice of paying providers directly on an encounter basis.

HCRA specifies the distribution of the public good pools. The indigent care pool remains in place under the 2009 legislation but the graduate medical education pools and other pools previously established were eliminated effective December 31, 2009. The indigent care pool payments cannot exceed a hospital's aggregate losses in providing inpatient and outpatient services to Medicaid and uninsured patients under federal and state statute and under Medicaid Disproportionate Share regulations. Public hospitals receive higher funding levels based upon separate federal regulations subject to state cap limits.

As of January 1, 2010, the changes to the HCRA regulations have not had a material adverse effect on the Corporation's revenues. See also "BONDHOLDERS' RISKS - Legislative, and Regulatory Actions Affecting Health Care Facilities" included in the forepart of this Offering Memorandum.

Managed Care

The Corporation employs a multifaceted strategy for managed care contracting. The goal of this contracting effort is to create mutually beneficial partnerships with managed care payors that will enable the Corporation to maintain and enhance the quality of care provided to patients. This strategy has enabled the Corporation to maintain stable compensation/revenue through a combination of price enhancements and increases in volume to their facilities. The contracting initiatives include system-wide contracting and the selection of strategic partners.

Contractual relationships have been established with most managed care companies in the market and these contracts cover all product (HMO, point of service, PPO) and payor types (Medicare, Medicaid, commercial). The four managed care companies that represent the largest component of managed care business for the Medical Center are United HealthCare including their Oxford Health Plans products, Aetna, Empire Blue Cross and MVP. Management has invested in establishing strong relationships at all levels between the Corporation and the management and staff of the various health plans.

The majority of managed care inpatient reimbursement is paid on DRG-based case rates similar in methodology to the NYS system but generally include add-on's for implantable items, high cost drugs and blood. Separate rates are established for each product line (Medicare, Medicaid, Commercial HMO or PPO products). Non–contracted payors, which may include small self-insured funds or out of area payors, generally pay on a charge basis. Outpatient services are either reimbursed on a percent of charges or fixed fee schedule basis similar to the Medicare methodology. Add-ons are incorporated into outpatient rates for implantable items, high cost drugs and blood in a manner similar to inpatient payments.

Other contractual terms are also carefully negotiated, particularly related to annual increases, claim payment obligations, compliance with health plan utilization management policies and procedures and retroactive claim denials that could have significant economic impact on hospitals.

The Corporation works closely with its medical staff to achieve maximum results from their managed care activities.

CORPORATE COMPLIANCE

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

PROPERTY, CASUALTY, PROFESSIONAL AND GENERAL LIABILITY INSURANCE PROGRAM

The Corporation carries an all-risk property insurance policy on its buildings and contents, including fire and allied lines, business interruption, and boiler and machinery all written on a replacement cost basis. The Corporation also carries commercial crime/fidelity insurance, directors and officer's liability insurance and employed lawyers' errors and omissions coverage and commercial automobile liability and physical damage insurance for owned and leased vehicles.

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

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

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

The Corporation also carries an excess/umbrella liability policy with an aggregate limit of $53 million that provides excess coverage for general liability, hospital professional liability, auto liability, and employer's liability. This policy attaches above the aforementioned general liability limits for the Corporation as well as above a $12 million each claim self-insured retention for hospital professional liability for the hospital and for those physicians employed by the Medical Center and each WMC Advanced Physicians Service and Westchester Medical Regional Physician Services employed physician insured through Academic Health Professionals Insurance Association or insured through WCHCC Bermuda.

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

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

LITIGATION

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

Funding for primary professional and general liability has been set aside in a restricted fund and in WCHCC Bermuda based upon actuarial analysis. Management believes that any payments from those sources will not have a material adverse effect on the financial position of the Corporation or on its ability to make required debt service payments. The Corporation has no other professional liability or general liability litigation or proceedings or, to management's knowledge, threatened litigation against it that would materially adversely affect its operations or financial condition.

On July 30, 2015, Westchester Medical Center ("WMC") received a civil investigative demand ("CID") issued by the United States Attorney's Office for the Southern District of New York ("SDNY"). The CID relates to a False Claims Act investigation being conducted jointly by the SDNY and the Office of the New York Attorney General, Medicaid Fraud Control Unit ("NYAG") concerning possible false claims submitted, or caused to be submitted, to the Medicaid and Medicare programs in the course of furnishing clinical services as part of clinical trials for which New York Medical College faculty physicians serve as principal investigators (the "Investigation"). Since receiving the CID, WMC has produced to the SDNY and NYAG

information and documents responsive to the CID, and has made certain of its personnel available for interviews by the SDNY and NYAG. It is our understanding that the Investigation is ongoing. Management believes that any payments that may be required to be made in connection therewith will not have a material adverse effect on the financial position of the Corporation or on its ability to make required debt service payments.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF WESTCHESTER COUNTY HEALTH CARE CORPORATION

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Westchester County Health Care Corporation

Basic Financial Statements and Supplementary Schedules
(With Management's Discussion and Analysis)
December 31, 2014 and 2013
(With Report of Independent Certified Public Accountants)

Westchester County Health Care Corporation
Table of Contents
December 31, 2014 and 2013

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Westchester County Health Care Corporation

We have audited the accompanying financial statements of the business-type activities of Westchester County Health Care Corporation ("WCHCC"), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements.

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

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of WCHCC (Bermuda), Limited, a wholly owned subsidiary of WMC New York, Inc., which is a blended component unit of WCHCC, which statements reflect total assets constituting $130,827,000 and $115,773,000 and total liabilities constituting $87,359,000 and $87,312,000 as of December 31, 2014 and 2013, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for WCHCC (Bermuda), Limited, is based solely on the reports of the other auditor's. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, based on our audits and the reports of the other auditors the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities of Westchester County Health Care Corporation as of December 31, 2014 and 2013, and the changes in financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the required supplementary information on page 41 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the America Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements , and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

The accompanying combining information included on the supplemental schedules on pages 42 through 45 are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records use to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

New York, New York
April 1, 2015

This section of the Westchester County Health Care Corporation (WCHCC) annual financial report presents management's discussion and analysis of WCHCC's financial performance during the years ended December 31, 2014 and 2013. The purpose is to provide an objective analysis of the financial activities of WCHCC based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements, which follow this section.

Overview of the Basic Financial Statements

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and supplementary schedules.

The basic financial statements (Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and the Notes to the Financial Statements) present, on a comparative basis, the financial position of WCHCC at December 31, 2014 and 2013 and the changes in its financial position for the years then ended. These financial statements report information about WCHCC using accounting methods similar to those used by private-sector companies. The Statements of Net Position include all of WCHCC's assets and liabilities. The Statements of Revenues, Expenses, and Changes in Net Position reflect each year's activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report WCHCC's net position (the difference between assets and liabilities) and how that has changed. Net position is one way to measure financial health or condition. The Statements of Cash Flows provide relevant information about each year's cash receipts and cash payments and classify them as operating, noncapital financing, capital and related financing and investing activities. The notes to the financial statements explain information in the financial statements and provide more detailed data.

On May 9, 2014, WCHCC acquired substantially all the assets of Saint Francis Hospital Poughkeepsie, New York and certain related entities (St. Francis). As part of the acquisition, the hospital was renamed MidHudson Regional Hospital of Westchester Medical Center (MidHudson Regional Hospital) and additional entities were established including; a physician practice - Westchester Medical Regional Physician Services, P.C., a home health agency - North Road LHCSA, a day care and education center - Mid-Hudson Valley Early Education Center and a professional employer organization – Mid-Hudson Valley Staffco, LLC (collectively referred to as the MidHudson Campus). More detailed information about the acquisition and new entities is presented in Note 1 to the financial statements.

Financial Analysis
Summary of Assets, Liabilities, and Net Position
December 31, 2014, 2013 and 2012

	2014	2013	2012	2014-2013 Percentage Change
Assets				
Current assets	$ 420,529,534	$ 389,770,835	$ 359,199,221	7.9%
Capital assets	409,586,001	318,117,153	304,807,732	28.8
Other assets	130,617,480	163,738,752	165,457,576	(20.2)
Total assets	$ 960,733,015	$ 871,626,740	$ 829,464,529	10.2%
Liabilities				
Current liabilities	$ 272,759,841	$ 221,019,230	$ 203,468,035	23.4%
Long-term portion of debt	474,608,373	435,395,581	441,751,530	9.0
Other long-term liabilities	223,595,121	229,634,424	204,937,128	(2.6)
Total liabilities	$ 970,963,335	$ 886,049,235	$ 850,156,693	9.6%
Net position				
Restricted	$ 8,123,631	$ 8,382,305	$ 7,106,100	(3.1)%
Unrestricted	(18,353,951)	(22,804,800)	(27,798,264)	(19.5)
Total net position	$ (10,230,320)	$ (14,422,495)	$ (20,692,164)	(29.1)%

Financial Analysis
Summary of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2014, 2013 and 2012

	2014	2013	2012	2014-2013 Percentage Change
Operating revenues				
Net patient service revenue	$ 1,025,476,316	$ 895,371,943	$ 867,780,675	14.5%
Other revenue	33,655,109	23,416,354	25,652,393	43.7
Total operating revenues	1,059,131,425	918,788,297	893,433,068	15.3
Operating expenses				
Salaries and benefits	562,874,363	473,772,966	488,827,468	18.8
Supplies and other expenses	414,140,187	361,061,294	326,173,658	14.7
Professional liability	8,176,954	13,714,339	15,029,291	(40.4)
Depreciation and amortization	50,427,930	44,105,277	43,849,809	14.3
Total operating expenses	1,035,619,434	892,653,876	873,880,226	16.0
Operating income	23,511,991	26,134,421	19,552,842	(10.0)
Nonoperating activities, net	(19,319,816)	(19,864,752)	(18,655,216)	(2.7)
Increase in net position	4,192,175	6,269,669	897,626	(33.1)
Net position				
Beginning of year	(14,422,495)	(20,692,164)	(21,589,790)	(30.3)
End of year	$ (10,230,320)	$ (14,422,495)	$ (20,692,164)	(29.1)%

Overall Financial Position and Operations
WCHCC reported operating income of $23.5 million, $26.1 million and $19.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. WCHCC's net position increased $4.2 million from December 31, 2013 to December 31, 2014 and increased $6.3 million from December 31, 2012 to December 31, 2013.

Significant financial indicators are as follows:

	2014	2013	2012
Operating income (in millions)	$ 23.5	$ 26.1	$ 19.6
Current ratio	1.5	1.8	1.8
Quick ratio	1.4	1.7	1.7
Days cash on hand	77.0	87.9	83.9

Analysis of Financial Position
In this section, WCHCC management provides our analysis of December 31, 2014 financial amounts, compared to December 31, 2013 financial amounts, and, where appropriate, December 31, 2013 financial amounts, compared to December 31, 2012.

Assets and Liabilities

Cash and Cash Equivalents
The cash position increased $3.4 million at December 31, 2014 compared to December 31, 2013 due to increased net patient service revenue from increased rates and cash provided from operations. The cash position increased $13.6 million at December 31, 2013 compared to December 31, 2012 due to increased net patient service revenue from increased patient volume and cash provided by operations.

Patient Accounts Receivable, Net
Patient accounts receivable reflected days outstanding of 53.2, 52.1 and 48.7 at December 31, 2014, 2013 and 2012, respectively. The increase in days outstanding at December 31, 2014 compared to December 31, 2013 is the result of increased accounts receivable due to the addition of MidHudson Regional Hospital. The increase in days outstanding at December 31, 2013 compared to December 31, 2012 is the result of increased accounts receivable due to increased volume in 2013.

Other Current Assets
Other current assets increased $5.7 million from December 31, 2013 to December 31, 2014 primarily due to the increase in inventory balances and increased $4.4 million from December 31, 2012 to December 31, 2013 primarily due to the increases in inventory balances and prepaid balances.

Assets Restricted as to Use
Assets restricted as to use decreased $33.1 million from December 31, 2013 to December 31, 2014 due to decreases in construction funds of $29.8 million, funds restricted for malpractice claims of $2.9 million and restricted contributions of $0.4 million.

Assets restricted as to use decreased $1.5 million from December 31, 2012 to December 31, 2013 due to the decrease in construction funds of $12.8 million partially offset by the increase in funds restricted for malpractice claims of $10.0 million and the increase in restricted contributions for the capital campaign of $1.3 million.

Capital Assets
WCHCC's capital additions, consisting of the acquisition of St. Francis, various capital projects and medical equipment purchases, in 2014 were $142.0 million offset by depreciation expense of $50.5 million. WCHCC's capital additions, consisting of various capital projects and medical equipment purchases, in 2013 were $57.4 million offset by depreciation expense of $44.1 million.

Capital assets increased $91.5 million from December 31, 2013 to December 31, 2014 primarily due to the acquisition of St. Francis and related capital leases and capital expenditures from bond proceeds. Capital assets increased $13.3 million from December 31, 2012 to December 31, 2013 due to an increase in capital expenditures in 2013, primarily from bond proceeds.

Accounts Payable and Accrued Expenses
Accounts payable and accrued expenses increased $24.1 million from December 31, 2013 to December 31, 2014 primarily due to the addition of supply costs for MidHudson Regional Hospital and increased $1.7 million from December 31, 2012 to December 31, 2013 due to increased supply costs.

Accrued Salaries and Related Withholdings
Accrued salaries and related withholdings increased $11.4 million from December 31, 2013 to December 31, 2014 reflecting additional accruals for payroll and related withholdings for the MidHudson Campus and increased $7.7 million from December 31, 2012 to December 31, 2013 reflecting additional accruals due to the timing of the year end payroll and an increase in the required pension contribution to the New York State and Local Retirement System (NYSLRS) on February 1, 2014, as a result of increased contribution rates.

Other Current Liabilities
Other current liabilities increased $15.0 million from December 31, 2013 to December 31, 2014 primarily due to increases in current portions of third-party payor liabilities, post-retirement health partially offset by a decrease in self-insurance liabilities, and increased $5.4 million from December 31, 2012 to December 31, 2013 primarily due to increases in current portions of third-party payor liabilities, post-retirement health and other current liabilities relating to deferred pension payments partially offset by a decrease in self-insurance liabilities.

Long-Term Debt
Long-term debt increased $40.4 million from December 31, 2013 to December 31, 2014 due to a bond offering of $27.4 million in connection with the acquisition of St. Francis and new capital lease obligations of $32.9 million partially offset by bond principal payments and capital lease payments of $19.9 million.

Long-term debt decreased $3.6 million from December 31, 2012 to December 31, 2013 due to bond principal payments and capital lease payments of $16.6 million offset by new capital lease obligations of $13.0 million.

Other Long-Term Liabilities
Other long-term liabilities decreased approximately $6.0 million from December 31, 2013 to December 31, 2014 due to decreases of $3.5 million for third party payor liabilities, $2.7 million for deferred pension and $0.6 million for insurance, partially offset by an increase of $0.8 million for post-retirement health insurance liability.

Other long-term liabilities increased approximately $24.7 million from December 31, 2012 to December 31, 2013 due to increases of $16.9 million for third party payor liabilities, $5.5 million for deferred pension, $1.7 million for post-retirement health insurance liability and $0.6 million for insurance.

Revenues and Expenses

Net Patient Service Revenue
Net patient service revenue increased $130.1 million from 2013 to 2014. The increases included the acquisition of St. Francis on May 9, 2014 accounting for $77.3 million which included the 243 bed hospital, a licensed home care program and physician practice; an increase at the Valhalla hospital of $40.0 million primarily due to higher inpatient and outpatient rates, an increase in the physician practice revenue of $5.1 million and higher Medicaid disproportionate share revenue of $7.7 million.

Net patient service revenue increased $27.6 million from 2012 to 2013. The increases included higher inpatient and outpatient payment rates of $16.6 million and patient volume increases of $11.0 million.

Other Revenue
Other revenue increased $10.2 million from 2013 to 2014 due to an increase in grant revenue, rental income and management fees and decreased $2.2 million from 2012 to 2013 due to a reduction in grant revenue.

Salaries and Benefits
Salaries and benefits increased $89.1 million from 2013 to 2014. The increase consists of $63.8 million in salaries and benefits for the MidHudson Campus, $26.4 million in salaries for the Valhalla Campus related to increased physician recruitment and related support staff, partially offset by a decrease in Valhalla Campus benefits of $1.1 million primarily related to pension and unemployment insurance.

Salaries and benefits decreased $15.1 million from 2012 to 2013. The decrease consists of $1.7 million in salary expense due to continued outsourcing initiatives and a reduction in benefit costs of $13.4 million as the result of decreases in health insurance and unemployment insurance.

Supplies and Other Expenses
Supplies and other expenses increased approximately $53.1 million from 2013 to 2014 primarily due to:

- Increase due to the addition of MidHudson Campus of $33.4 million.
- Increase in technical services of $14.5 million primarily due to contractual services in connection with certain outsourcing initiatives and legal fees and other costs related to the acquisition of St. Francis Hospital.
- Increase in contractual services of $2.2 million
- Increase in operating leases and equipment repair of $1.8 million.
- Increase in utilities of $1.8 million
- Decrease in other expenses of $0.6 million.

Supplies and other expenses increased approximately $34.9 million from 2012 to 2013 primarily due to:

- Increase in medical/surgical supplies costs of $14.0 million due to increased patient acuity and volume.

- Increase in technical services of $21.2 million primarily due to contractual services in connection with certain outsourcing initiatives.
- Increase in utilities of $1.3 million
- Decrease in collection agency fees of $2.2 million.
- Increase in other expenses of $0.6 million.

Professional Liability
Professional liability insurance costs decreased $5.5 million from 2013 to 2014 due to a decrease in insurance claims, cases and settlements and a decrease in incurred but not reported liability and decreased $1.3 million from 2012 to 2013 due to a decrease in insurance claims, cases and settlements.

Depreciation and Amortization Expense
Depreciation and amortization expense increased $6.3 million from 2013 to 2014 and $0.3 million from 2012 to 2013 due capital additions in 2014 and 2013. 2014 capital additions primarily related to the acquisition of St. Francis.

Nonoperating Activities, Net
Nonoperating activities, net decreased $0.5 million from 2013 to 2014 primarily due to increased interest income partially offset by increased interest expense due to a new bond issue and new capital leases.

Nonoperating activities, net increased $1.2 million from 2012 to 2013 primarily due to decreased interest income partially offset by increased interest expense due to new capital leases.

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

- Restricted
- Unrestricted

Restricted
Decreased $0.2 million from December 31, 2013 to December 31, 2014 due to capital purchases from restricted funds partially offset by capital campaign contributions and increased $1.3 million from December 31, 2012 to December 31, 2013 due to capital campaign contributions.

Unrestricted
Negative unrestricted net position, a deficit, decreased by $4.4 million, to ($18.4) million at December 31, 2014 from ($22.8) million at December 31, 2013. Negative unrestricted net position decreased primarily due to operating income of $23.5 million and a decrease in restricted net position of $0.2 million partially offset by nonoperating activities, net of $19.3 million.

Negative unrestricted net position, a deficit, decreased by $5.0 million, to ($22.8) million at December 31, 2012 from ($27.8) million at December 31, 2013. Negative unrestricted net position decreased primarily due to an operating income of $26.1 million partially offset by an increase in restricted net position of $1.3 million and nonoperating activities, net of $19.8 million.

Capital Assets and Long-Term Debt Activity

Capital Assets

At December 31, 2014, WCHCC had capital assets, net of accumulated depreciation, of $409.6 million, compared to $318.1 million at December 31, 2013 and $304.8 million at December 31, 2012. Major categories of capital assets are set forth in the table below:

	2014	2013	2012
Land and land improvements	$ 3,247,380	$ 1,378,087	$ 1,319,107
Buildings and building improvements	219,996,375	186,192,421	186,255,006
Equipment	163,260,848	116,856,515	99,468,328
Construction in progress	23,081,398	13,690,130	17,765,291
	$ 409,586,001	$ 318,117,153	$ 304,807,732

WCHCC's capital additions in 2014 were $142.0 million, consisting of the acquisition of St. Francis, various capital projects and medical equipment purchases, offset by depreciation expense of $50.5 million. WCHCC's capital additions in 2013 were $57.4 million, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of $44.1 million.

More detailed information about WCHCC's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At December 31, 2014, WCHCC had $494.5 million in total long-term debt outstanding, as shown with comparative amounts at December 31, 2013 and December 31, 2012:

	2014	2013	2012
2000 Series Bonds	$ 108,170,000	$ 108,170,000	$ 108,170,000
2010 Series Bonds	247,125,000	256,940,000	266,295,000
2011 Series Bonds	63,980,000	64,080,000	64,180,000
2014 Series Bonds	27,352,000	-	-
Capital Leases	47,834,215	24,856,136	19,015,840
	$ 494,461,215	$ 454,046,136	$ 457,660,840

Long-term debt increased $40.4 million from December 31, 2013 to December 31, 2014 due to a new bond offering and new capital leases primarily related to the acquisition of St. Francis partially offset by principal payments on bonds and capital leases and decreased $3.6 million from December 31, 2012 to December 31, 2013 due to principal payments on bonds and capital leases partially offset by new capital leases.

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

Contacting WCHCC's Financial Management

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

Westchester County Health Care Corporation
Statements of Net Position
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 207,777,504	$ 204,420,734
Patient accounts receivable, net	149,399,741	127,674,680
Investments	594,590	593,329
Assets restricted as to use, required for current liabilities	24,112,600	24,090,325
Other current assets	38,645,099	32,991,767
Total current assets	420,529,534	389,770,835
Assets restricted as to use, net	125,140,929	158,294,119
Capital assets, net	409,586,001	318,117,153
Other assets, net	5,476,551	5,444,633
Total assets	960,733,015	871,626,740
Liabilities		
Current liabilities:		
Current portion of long-term debt	19,852,842	18,650,555
Accounts payable and accrued expenses	100,522,030	76,469,754
Accrued salaries and related withholdings	80,492,491	69,053,991
Current portion of estimated liability to third-party payors	27,291,831	11,061,816
Current portion of post retirement health insurance liability	12,961,000	12,164,000
Current portion of estimated self-insurance liability	25,200,000	26,550,000
Current portion of other liabilities	6,439,647	7,069,114
Total current liabilities	272,759,841	221,019,230
Long-term debt, net	474,608,373	435,395,581
Estimated liability to third-party payors, net	40,413,383	43,954,574
Estimated post retirement health insurance liability, net	62,401,000	61,555,000
Estimated self-insurance liability, net	89,413,731	90,046,615
Other liabilities, net	31,367,007	34,078,235
Total liabilities	970,963,335	886,049,235
Commitments and contingencies		
Net Position		
Restricted		
Expendable for capital acquisitions	2,379,565	2,717,305
Expendable for specific operating activities	5,744,066	5,665,000
Total restricted	8,123,631	8,382,305
Unrestricted		
Net investment in capital assets	51,471,019	6,732,192
Unrestricted	(69,824,970)	(29,536,992)
Total unrestricted	(18,353,951)	(22,804,800)
Total net position	$ (10,230,320)	$ (14,422,495)

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

Westchester County Health Care Corporation
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2014 and 2013

	2014	2013
Operating revenues		
Net patient service revenue (net of provision for bad debts of $74,665,795 and $41,894,325 in 2014 and 2013, respectively)	$ 1,025,476,316	$ 895,371,943
Other revenue	33,655,109	23,416,354
Total operating revenues	1,059,131,425	918,788,297
Operating expenses		
Salaries and benefits	562,874,363	473,772,966
Supplies and other expenses	414,140,187	361,061,294
Professional liability	8,176,954	13,714,339
Depreciation and amortization	50,427,930	44,105,277
Total operating expenses	1,035,619,434	892,653,876
Operating income	23,511,991	26,134,421
Nonoperating activities		
Interest income	5,726,848	3,756,526
Interest expense	(25,046,664)	(23,621,278)
Increase in net position	4,192,175	6,269,669
Net position		
Beginning of year	(14,422,495)	(20,692,164)
End of year	$ (10,230,320)	$ (14,422,495)

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

Westchester County Health Care Corporation
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from patients and third-party payors	$ 1,010,440,079	$ 903,886,099
Other receipts	27,509,433	34,165,385
Cash paid to employees for salaries and benefits	(553,667,928)	(463,870,746)
Cash paid for supplies and other expenses	(408,156,398)	(371,243,601)
Net cash provided by operating activities	76,125,186	102,937,137
Cash flows from noncapital financing activities		
Proceeds from contributions restricted for specific operating activities	5,044,215	4,509,584
Short-term financing to St. Francis	(15,862,255)	-
Repayment of short-term financing to St. Francis	15,862,255	-
Net cash provided by noncapital financing activities	5,044,215	4,509,584
Cash flows from capital and related financing activities		
Purchase of capital assets	(63,792,393)	(39,375,872)
Purchase of St. Francis assets	(30,852,000)	-
Proceeds from issuance of long-term debt	27,352,000	-
Repayments of principal on long-term debt	(19,867,197)	(16,575,616)
Interest paid	(24,465,328)	(23,365,299)
Net cash used in capital and related financing activities	(111,624,918)	(79,316,787)
Cash flows from investing activities		
Purchase of assets restricted as to use	(5,317,366)	(44,124,150)
Sales of assets restricted as to use	33,404,066	25,808,527
Purchases of investments	(1,261)	(1,797)
Interest received	5,726,848	3,756,526
Net cash provided by (used in) investing activities	33,812,287	(14,560,894)
Net increase in cash and cash equivalents	3,356,770	13,569,040
Cash and cash equivalents		
Beginning of year	204,420,734	190,851,694
End of year	$ 207,777,504	$ 204,420,734
Supplemental disclosure of cash flow information		
Change in amounts accrued for purchase of capital assets	$ 4,847,711	$ 5,147,474
Assets acquired under capital leases	$ 4,285,550	$ 12,960,912
Supplemental disclosure of non-cash information related to St. Francis		
Other assets	$ 2,405,673	$ -
Other liabilites	(11,949,631)	-
Capital leases	(28,644,726)	-
	$ (38,188,684)	$ -

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

Westchester County Health Care Corporation
Statements of Cash Flows (continued)
Years Ended December 31, 2014 and 2013

	2014	2013
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 23,511,991	$ 26,134,421
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	50,427,930	44,105,277
Provision for bad debts, net	74,665,795	41,894,325
Changes in assets and liabilities		
Patient accounts receivable	(96,390,856)	(54,049,710)
Other assets	(3,210,017)	10,749,031
Accounts payable and accrued expenses	19,204,565	(3,437,698)
Accrued salaries and related withholdings	7,563,435	7,696,220
Estimated liabilities to third-party payors, net	6,688,824	20,669,541
Estimated post-retirement health insurance liability	1,643,000	2,206,000
Estimated self-insurance liability	(1,982,884)	211,664
Other liabilities	(5,996,597)	6,758,066
Net cash provided by operating activities	$ 76,125,186	$ 102,937,137

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

1. Organization

The State of New York enacted legislation during January 1997 to authorize the creation of Westchester County Health Care Corporation (WCHCC) in response to the efforts of Westchester County (the County) to provide a form of governance for the Westchester Medical Center (the Medical Center) with the flexibility to cope with a rapidly changing health care environment, to become more competitive, and to provide the County and area residents with quality health care in an efficient and progressive manner. A 15-member board was appointed in July 1997, and WCHCC began operations on January 1, 1998.

On December 17, 2013, Saint Francis Hospital Poughkeepsie, New York and certain related entities, namely, Saint Francis Home Care Services Corporation, SFH Ventures, Inc., Saint Francis Health Care Foundation, Inc., and Saint Francis Hospital Pre-School Program (collectively, St. Francis), declared bankruptcy. This bankruptcy filing included a Sale Motion for an order authorizing and approving, inter alia, the sale of substantially all of St. Francis's assets. The court approved the sale procedures and supplemental sales procedures in December 2013 and February 2014, respectively. On February 24, 2014, the court granted the sale of substantially all of St. Francis's assets and the assumption of certain liabilities to WCHCC as provided in the Asset Purchase Agreement dated February 10, 2014, as well as approved the terms of a Management Services Agreement between WCHCC and St. Francis from that date to the closing of the sale which occurred on May 9, 2014.

WCHCC acquired substantially all of the assets of St. Francis, which consisted of approximately $69,041,000 in capital assets and approximately $2,405,000 in other assets. Consideration provided included $27,352,000 in exchange bonds, $3,500,000 in cash and the assumption of certain lease obligations of approximately $28,645,000 which are related to specific real estate and equipment. WCHCC assumed approximately $11,950,000 of liabilities which include those attendant to certain assumed contracts and leases, liabilities under St, Francis's Medicare Provider Agreements and accrued paid time off. Additionally, WCHCC replaced the debtor-in-possession financing which was secured by patient accounts receivable, in an amount not to exceed $16,000,000, which was fully repaid by December 31, 2014. WCHCC accounted for the acquisition of St. Francis Hospital in accordance with and simultaneously adopted the provisions of Government Accounting Standards Board Statement No. 69, *Government Combination and Disposals of Government Operations*, which was effective in financial reporting periods beginning after December 15, 2013.

The accompanying financial statements include WCHCC and its component units, entities for which WCHCC is considered to be financially accountable. WCHCC has the following blended component units, all of which, except for Westchester Medical Center Advanced Physician Services, P.C. and Westchester Medical Regional Physician Services, P.C., WCHCC is the sole voting member:

- The Children's Hospital Foundation at WMC, Inc. (Children's Hospital Foundation), the Westchester Medical Center Foundation, Inc. (WMC Foundation) and Mid-Hudson Valley Early Education Center (Early Education Center) are not-for-profit foundations formed under the New York Not-For-Profit Corporation Law exclusively for charitable, scientific, and educational purposes within the meaning of Section 170(c)(2)(B) and 501(c)(3) of the Internal Revenue Code (the Code), for the purposes of supporting, maintaining, and otherwise benefiting and being responsive to the needs and objectives of WCHCC.

The Children's Hospital Foundation was formed in March 1997. The primary focus of the Children's Hospital Foundation is supporting, maintaining, and otherwise benefiting and being responsive to the needs and objectives of the Maria Fareri Children's Hospital at Westchester Medical Center (MFCH).

The WMC Foundation was formed in July 1999. The primary focus of WMC Foundation is to support, maintain, and otherwise benefit and be responsive to the needs and the objectives of the Medical Center.

The Early Education Center was formed in May 2014. The primary focus of the Early Education Center is to provide day care and childhood early education to children between the ages of eighteen months to five year of age who are diagnosed with autism and other developmental disabilities.

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

- WMC New York Inc. (WMC New York) is a not-for-profit entity formed in August 1999 under the New York Not-For-Profit Corporation Law. WMC New York adopted bylaws on December 1, 1999 governing its operations. Effective August 1, 2008, WMC New York became a centralized management company for the two foundations, which includes the employment of the Children's Hospital Foundation and the WMC Foundation employees. In addition, WMC New York is the holder of 100% of the membership shares in WCHCC (Bermuda), Limited (WCHCC Bermuda), a Bermuda company formed to serve as an off-shore captive insurance company for WCHCC pursuant to Bermuda law, the operations of which have been reported in the accompanying financial statements as a blended component unit. On May 9, 2014, Mid-Hudson Valley Staffco, LLC (Mid-Hudson Valley Staffco) was formed as a Professional Employer Organization with WMC New York as the sole member. The purpose of Mid-Hudson Valley Staffco is the provision of professional and non-professional staffing to the WCHCC operations and facilities other than its Valhalla Campus.

- On March 11, 2009, Westchester Medical Center Advanced Physician Services, P.C. (WMC Advanced Physician Services) and on May 9, 2014, Westchester Medical Regional Physician Services, P.C. (WM Regional Physician Services), (collectively, The Physician Services Groups) were organized and incorporated under the New York Business Corporation Law as a for-profit professional corporations controlled by WCHCC through its power to appoint the sole shareholders. The primary focus of the Physician Services Groups is to employ physicians engaged in the profession of medicine.

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

The financial position and operating results of the above entities have been recorded in the accompanying financial statements of WCHCC as blended component units.

All significant inter-entity accounts and transactions have been eliminated.

2. Significant Accounting Policies

Basis of Presentation

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

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

Use of Estimates

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

Revisions to previously recorded estimates of net patient accounts receivable, third party payor liabilities, postretirement health insurance liabilities and malpractice insurance liabilities for the year ended December 31, 2014 and 2013 resulted in an increase in operating income of approximately $48,118,000 and $7,163,000, respectively.

Patient Accounts Receivable and Net Patient Service Revenue

Accounts receivable from patients and third-party payors at December 31, 2014 and 2013, respectively, was composed of Medicare, 23% and 23%; Medicaid, 29% and 26%; and commercial insurance, health maintenance organizations and others, 48% and 51%, respectively. Patient accounts receivable are recorded net of allowances for estimated uncollectible accounts of approximately $52,906,000 and $57,071,000 at December 31, 2014 and 2013, respectively. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid.

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

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

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

There are various proposals at the Federal and State levels that could, among other things, reduce payment rates and increase managed care penetration, including Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined. WCHCC's cost reports have been audited and finalized by its Medicare fiscal intermediary through December 31, 2008, with the exception of the December 31, 2005 cost report.

Assets Restricted as to Use
Assets restricted as to use include the assets of WCHCC Bermuda, the assets of the WMC Foundation and the Children's Hospital Foundation, the proceeds of indebtedness held by the trustees under debt agreements, assets restricted for the purchase of capital assets, and assets restricted by donors.

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

Grants and Contributions
From time to time, WCHCC receives grants from the local, state and federal government as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other revenue. At December 31, 2014 and 2013, net contribution and grants receivables of approximately $2,735,000 and $3,030,000, respectively, are included in the accompanying Statements of Net Position.

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

At December 31, 2014 and 2013, cash and cash equivalents consist of cash, repurchase agreements and all highly liquid instruments with maturities of three months or less at the date of purchase. 98% and 99% of cash and cash equivalents resides with a significant financial institution at December 31, 2014 and 2013, respectively. Investments consist of certificates of deposit and mutual funds. The certificates of deposit have a remaining maturity at time of purchase of one year or less and are reported at face value.

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

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

Gifts of long-lived assets such as land, buildings, and equipment are recorded at fair value at the date of the contribution as unrestricted support and are excluded from operating income, unless explicit donor stipulations specify how the donated assets must be used.

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

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

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

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

WCHCC maintains records identifying and monitoring the level of charity care it provides. WCHCC estimates the cost of charity care, by applying a ratio of overall costs to gross charges applied to the gross charity care charges during the year ended December 31, 2014, at approximately $82,325,000, of which approximately $22,654,000 is the cost of charity care, and for the year ended December 31, 2013, at approximately $62,462,000, of which approximately $17,627,000 is the cost of charity care.

Taxation
WCHCC is a public benefit corporation of the State of New York and is exempt from Federal income taxes under Section 115 of the Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

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

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

Impairment of Long-Lived Assets
Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in the service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. No material impairment charges to long-lived assets were recorded for the years ended December 31, 2014 and 2013.

Pending Accounting Pronouncements
In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The Statement improves the accounting and financial reporting by state and local governments for pensions.

Upon adoption, WCHCC will be required to recognize a liability for its proportionate share of the net pension liability of the New York State and Local Retirement System. WCHCC proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined which at this time is covered payroll.

WCHCC will be required to continue recognizing pension expense and begin reporting deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

This Statement requires that notes to financial statements of WCHCC include descriptive information about the pension plans through which the pensions are provided and identify the discount rate and assumptions made in the measurement of their proportionate shares of net pension liabilities. This Statement also requires WCHCC to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) if applicable, information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios.

The provisions of the Statement are effective for WCHCC's year ending December 31, 2015. WCHCC is in the process of evaluating the impact this statement will have on its financial position, the results of its operations, and the changes in its net position.

3. Deposits and Investments

Deposits and investments consist of the following at December 31, 2014 and 2013:

	2014	2013
Description		
Bank deposits	$ 222,021,540	$ 216,292,392
Certificates of deposit	1,189,180	1,186,658
Mutual funds	32,773	30,533
Equities	28,384,718	22,899,979
US Treasury securities	64,426,227	104,749,525
Corporate bonds	38,752,538	39,294,958
	$ 354,806,976	$ 384,454,045
Description on Balance Sheet		
Cash and cash equivalents	$ 207,777,504	$ 204,420,734
Investments	594,590	593,329
Assets restricted as to use - current portion	23,197,803	23,263,151
Assets restricted as to use - noncurrent portion	123,237,079	156,176,831
	$ 354,806,976	$ 384,454,045
Investment Maturities		
One year or less	$ 44,167,778	$ 72,637,564
After one through five years	48,977,981	57,423,077
After five through ten years	10,033,006	13,983,842
	$ 103,178,765	$ 144,044,483

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

Interest Rate Risk - WCHCC invests in fixed-rate debt and US Treasury securities with approximately one- to ten year maturities. Interest rate risk is limited by the short-term nature of these investments.

Credit Risk - WCHCC investments in U.S. Treasury securities carry the explicit guarantee of the U.S. government. The corporate bonds are rated A- to AA+ and the U.S. Treasury securities are rated AA+ by the Standards & Poor's rating agency.

4. Assets Restricted as to Use

Assets restricted as to use consist of the following at December 31, 2014 and 2013:

	2014	2013
Time and purpose restricted		
The Westchester Medical Center Foundation, Inc.	$ 2,649,803	$ 2,982,109
The Children's Hospital Foundation at WMC, Inc.	5,473,828	5,400,196
	8,123,631	8,382,305
Under debt agreements		
Debt service reserve funds	31,787,105	31,787,105
Construction funds	-	29,773,452
Other	893,833	1,068,459
	32,680,938	62,629,016
Self-insurance funds		
Insurance captive investments	108,448,960	111,373,123
	149,253,529	182,384,444
Less portion required for current liabilities	24,112,600	24,090,325
Assets restricted as to use, net of current portion	$ 125,140,929	$ 158,294,119

WCHCC's assets restricted as to use are reported at fair value, as described in Note 3. At December 31, 2014 and 2013, the composition of assets restricted as to use consisted of the following:

	2014	2013
Cash and cash equivalents	$ 14,275,802	$ 11,901,249
US Treasury securities	64,426,227	104,749,525
Corporate bonds	38,752,538	39,294,958
Equities	28,384,718	22,899,979
Other	3,414,244	3,538,733
	$ 149,253,529	$ 182,384,444

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

5. Capital Assets

Capital assets are summarized as follows at December 31, 2014 and 2013:

	2014	2013	Estimated Useful
Land and land improvements	$ 10,762,045	$ 8,776,978	10 years
Buildings and building improvements	476,872,654	424,268,699	5-40 years
Equipment	517,577,779	439,591,731	5-20 years
	1,005,212,478	872,637,408	
Less accumulated depreciation and amortization	618,707,875	568,210,385	
	386,504,603	304,427,023	
Construction in progress	23,081,398	13,690,130	
Capital assets, net	$ 409,586,001	$ 318,117,153	

Included in land and land improvements is approximately $1,587,000 and $313,000 of land that is not depreciated as of December 31, 2014 and 2013, respectively. Construction in progress relates to various capital projects. The additional costs to complete such projects are anticipated to aggregate approximately $14,836,000 as of December 31, 2014.

Included in capital assets is capitalized interest, net of accumulated amortization, of approximately $12,844,000 and $13,408,000 as of December 31, 2014 and 2013, respectively. The net book value of capital leases held under lease obligations, included in equipment, is approximately $48,651,000 and $23,450,000 as of December 31, 2014 and 2013, respectively.

Capital asset activity for the years ended December 31, 2014 and 2013 was as follows:

	Land and Land Improvements	Buildings and Building Improvements	Equipment	Construction in Progress	Total
December 31, 2012 balance	$ 8,500,484	$ 407,110,522	$ 395,556,883	$ 17,765,291	$ 828,933,180
Acquisitions, net of transfers	276,494	17,238,504	44,068,483	(4,075,161)	57,508,320
Retirements	-	(80,327)	(33,635)	-	(113,962)
December 31, 2013 balance	8,776,978	424,268,699	439,591,731	13,690,130	886,327,538
Acquisitions, net of transfers	1,985,067	52,603,955	77,986,048	9,391,268	141,966,338
Retirements	-	-	-	-	-
December 31, 2014 balance	$ 10,762,045	$ 476,872,654	$ 517,577,779	$ 23,081,398	$ 1,028,293,876

Related information on accumulated depreciation and amortization for the years ended December 31, 2014 and 2013 was as follows:

	Land and Land Improvements	Buildings and Building Improvements	Equipment	Total
December 31, 2012 balance	$ 7,181,377	$ 220,855,514	$ 296,088,557	$ 524,125,448
Depreciation and amortization expense	217,514	17,279,710	26,677,613	44,174,837
Retirements	-	(58,948)	(30,952)	(89,900)
December 31, 2013 balance	7,398,891	238,076,276	322,735,218	568,210,385
Depreciation and amortization expense	115,774	18,800,001	31,581,715	50,497,490
Retirements	-	-	-	-
December 31, 2014 balance	$ 7,514,665	$ 256,876,277	$ 354,316,933	$ 618,707,875

6. Long-Term Debt

Long-term debt activity as of December 31, 2014 and 2013 was as follows:

	December 31, 2013	Additions	Repayments	December 31, 2014	Amounts due Within One Year
2000 Series Bonds (a)	$ 108,170,000	$ -	$ -	$ 108,170,000	$ -
2010 Series Bonds (b)	256,940,000	-	(9,815,000)	247,125,000	10,215,000
2011 Series Bonds (c)	64,080,000	-	(100,000)	63,980,000	100,000
2014 Series Bonds (d)	-	27,352,000	-	27,352,000	411,000
Capital leases (e)	24,856,136	32,930,276	(9,952,197)	47,834,215	9,126,842
	$ 454,046,136	$ 60,282,276	$ (19,867,197)	$ 494,461,215	$ 19,852,842

	December 31, 2012	Additions	Repayments	December 31, 2013	Amounts due Within One Year
2000 Series Bonds (a)	$ 108,170,000	$ -	$ -	$ 108,170,000	$ -
2010 Series Bonds (b)	266,295,000	-	(9,355,000)	256,940,000	9,815,000
2011 Series Bonds (c)	64,180,000	-	(100,000)	64,080,000	100,000
Capital leases (e)	19,015,840	12,960,912	(7,120,616)	24,856,136	8,735,555
	$ 457,660,840	$ 12,960,912	$ (16,575,616)	$ 454,046,136	$ 18,650,555

a. In 2000, WCHCC participated in a bond offering dated November 1, 2000 relating to $255,100,000 Westchester County Health Care Corporation Series 2000 Revenue Bonds consisting of $113,240,000 Series 2000A Senior Lien with interest varying from 5.875% to 6% and maturing on November 1, 2025; and November 1, 2030, $91,310,000 Series 2000B Subordinate Lien (Westchester County Guaranteed) with interest varying from 5% to 5.375% and maturing on November 1, 2017, November 1, 2020 and November 1, 2030; $47,575,000 Series 2000C-1 Tax Exempt – Subordinate Lien (Westchester County Guaranteed) with interest varying from 5% to 5.375% maturing on November 1, 2019; and $2,975,000 Par Adjusted Rate Securities Series 2000C-2 Subordinate Lien (Westchester County Guaranteed) maturing on November 1, 2019. The proceeds of the Series 2000 Bonds, together with available funds, were used to (i) finance the construction of the Children's Hospital and related projects at the Medical Center (ii) refinance indebtedness of WCHCC to the County (iii) finance certain routine capital projects at WCHCC facilities; (iv) reimburse WCHCC for costs incurred in the acquisition of an on-site parking facility (v) fund, from the proceeds of the Series 2000 Senior Bonds, separate debt service reserve fund accounts for the Series 2000 Senior Bonds and Series 2000 Subordinate Bonds and (vi) pay costs related to the issuance of the aforementioned bonds.

In December 2011, WCHCC participated in a bond remarketing of the Series 2000A Bonds following a call for purchase implemented pursuant to the Master Trust Indenture (MTI). At this time the Westchester County guarantee on the Series 2000A Bonds was eliminated.

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2000 Bonds, including a debt service reserve fund of approximately $10,817,000 as of December 31, 2014 and 2013 (see Note 4).

Under Section 6.13(a) of the Series 2000 Bonds MTI between WCHCC and the Bank of New York as the Master Trustee (subsequently changed to Deutsche Bank as the Master Trustee), the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2000 Bonds. For the years ended December 31, 2014 and 2013, WCHCC met the required Long-Term Debt Service Coverage Ratio.

The following is a schedule by years of future principal and interest payments on the Series 2000A Bonds:

	Principal	Interest	Total
2015	$ -	$ 5,313,900	$ 5,313,900
2016	-	5,313,900	5,313,900
2017	-	5,313,900	5,313,900
2018	-	5,313,900	5,313,900
2019	-	5,313,900	5,313,900
2020-2024	39,620,000	23,760,350	63,380,350
2025-2029	57,375,000	11,308,500	68,683,500
2030	11,175,000	558,750	11,733,750
	$ 108,170,000	$ 62,197,100	$ 170,367,100

Interest expense relating to the Series 2000 Revenue Bonds was approximately $5,313,900 in 2014 and 2013.

b. In December 2010, WCHCC participated in a bond offering dated November 1, 2010 relating to $226,110,000 Westchester County Health Care Corporation Revenue Bonds, Series 2010, Senior Lien consisting of $37,390,000 Series 2010A (Federally Taxable – Direct Payment – Build America Bonds) with an interest rate of 8.572% and maturing on November 1, 2040; $124,860,000 Series 2010B (Tax-Exempt) with interest rates varying from 4.0% to 6.125% and maturing November 1, 2011 through November 1, 2020, November 1, 2030 and November 1, 2037; $31,450,000 Series 2010C-1 (Federally Taxable – Direct Payment – Build America Bonds) with an interest rate of 8.572% maturing on November 1, 2040; and $32,410,000 Series 2010C-2 (Tax Exempt) with an interest rate of 6.125% maturing on November 1, 2037.

The following is a schedule by year of future principal and interest payments on the Series 2010 Bonds:

	Principal	Interest	Total
2015	$ 10,215,000	$ 12,562,446	$ 22,777,446
2016	10,720,000	12,051,696	22,771,696
2017	11,250,000	11,518,321	22,768,321
2018	11,825,000	10,955,821	22,780,821
2019	10,995,000	10,377,321	21,372,321
2020-2024	11,555,000	46,915,705	58,470,705
2025-2029	5,890,000	45,786,418	51,676,418
2030-2034	5,230,000	43,574,668	48,804,668
2035-2039	90,795,000	31,423,313	122,218,313
2040	21,370,000	1,831,836	23,201,836
	$ 189,845,000	$ 226,997,545	$ 416,842,545

In December 2010, WCHCC also participated in a bond offering dated November 1, 2010 relating to $57,280,000 Westchester County Health Care Corporation Revenue Bonds, Series 2010D, Senior Lien (Taxable) bearing interest under a Weekly Interest Rate, such rate being 0.08% and 0.12% at December 31, 2014 and 2013, respectively, maturing November 1, 2034. The 2010D series consist of variable rate demand bonds (VRDBs). WCHCC has entered into an irrevocable letter of credit (LOC) with a financial institution to secure bond repayment and interest obligations associated with its VRDBs. If the VRDBs are unable to be remarketed, the trustee for the VRDB will request purchase under the LOC scheduled repayment terms. Based on the existing terms of the underlying LOC, the LOC will expire on December 21, 2017.

The following is a schedule by year of future principal and interest payments on the Series 2010D Bonds, assuming an interest rate of 2%:

	Principal	Interest	**Total**
2015	$ -	$ 1,145,600	$ 1,145,600
2016	-	1,146,389	1,146,389
2017	-	1,144,811	1,144,811
2018	-	1,145,600	1,145,600
2019	-	1,145,600	1,145,600
2020-2024	-	5,728,789	5,728,789
2025-2029	-	5,727,211	5,727,211
2030-2034	57,280,000	4,010,199	61,290,199
	$ 57,280,000	$ 21,194,199	$ 78,474,199

The proceeds of the Series 2010 Bonds and Series 2010D Bonds, together with available funds, were used to: (i) finance certain capital projects at WCHCC's facilities that require certificates of need from the Department of Health of the State of New York and (ii) pay costs related to the issuance of the Series 2010A Bonds and Series 2010D Bonds.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2010 Bonds and Series 2010D Bonds, including a debt service reserve fund of approximately $18,697,000 as of December 31, 2014 and 2013 (see Note 4).

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2010 Bonds and Series 2010D Bonds. For the years ended December 31, 2014 and 2013, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense, net of capitalized interest, relating to the Series 2010 Bonds and Series 2010D Bonds was approximately $13,015,000 and $13,430,000 in 2014 and 2013, respectively.

c. In December 2011, WCHCC participated in a bond offering dated November 1, 2011 relating to $64,280,000 Westchester County Health Care Corporation Revenue Bonds, Series 2011, Senior Lien consisting of $48,985,000 Series 2011A (Tax-Exempt) with an interest rates varying from 2.0% to 5.32% and maturing November 1, 2012 through November 1, 2026, November 1, 2032 and November 1, 2041 and $15,295,000 Series 2011B (Tax-Exempt) with an interest rate of 5.32% and maturing November 1, 2041.

The following is a schedule by year of future principal and interest payments on the Series 2011:

	Principal	Interest	Total
2015	$ 100,000	$ 3,114,131	$ 3,214,131
2016	100,000	3,111,131	3,211,131
2017	100,000	3,108,131	3,208,131
2018	100,000	3,105,131	3,205,131
2019	1,010,000	3,101,881	4,111,881
2020-2024	11,000,000	14,380,206	25,380,206
2025-2029	13,655,000	11,726,769	25,381,769
2030-2034	16,890,000	7,782,988	24,672,988
2035-2039	14,250,000	4,000,319	18,250,319
2040-2041	6,775,000	525,313	7,300,313
	$ 63,980,000	$ 53,956,000	$ 117,936,000

The proceeds of the Series 2011 Bonds, together with available funds, were used to (i) finance certain capital projects at WCHCC facilities; (ii) reimburse WCHCC for prior capital expenditures; (iii) fund a portion of the debt service reserve fund accounts for the Series 2011 Bonds and (iv) pay costs related to the issuance of the aforementioned bonds.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2011 Bonds, including a debt service reserve fund of approximately $2,273,000 as of December 31, 2014 and 2013 (see Note 4).

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2011 Bonds. For the years ended December 31, 2014 and 2013, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense, net of capitalized interest, relating to the Series 2011 Bonds was approximately $2,866,000 and $2,996,000 in 2014 and 2013, respectively.

d. In May 2014, WCHCC participated in a bond offering dated May 9, 2014 relating to $27,352,000 Westchester County Health Care Corporation Revenue Bonds, Series 2014A, Senior Lien with an interest rate of 5% and maturing November 1, 2044.

The following is a schedule by year of future principal and interest payments on the Series 2014:

	Principal	Interest	Total
2015	$ 411,000	$ 1,367,600	$ 1,778,600
2016	432,000	1,347,050	1,779,050
2017	454,000	1,325,450	1,779,450
2018	477,000	1,302,750	1,779,750
2019	501,000	1,278,900	1,779,900
2020-2024	2,903,000	5,993,100	8,896,100
2025-2029	3,706,000	5,190,950	8,896,950
2030-2034	4,730,000	4,167,000	8,897,000
2035-2039	6,034,000	2,860,450	8,894,450
2040	7,704,000	1,193,100	8,897,100
	$ 27,352,000	$ 26,026,350	$ 53,378,350

The proceeds of the Series 2014 Bonds, together with available funds, were used for the acquisition of substantially all the assets of St. Francis through the exchange of the Series 2014A Bonds for certain obligations issued by the Dutchess County Industrial Development Agency for the benefit of St. Francis.

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2014 Bonds. For the years ended December 31, 2014 WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense relating to the Series 2014 Bonds was approximately $881,000 in 2014.

e. WCHCC has entered into certain capital lease agreements that are collateralized by the underlying equipment or real estate and bear interest at rates between 1.82% and 6.49%.

The future minimum lease payments under the capital lease obligations, together with the present value of the minimum lease payments as of December 31, 2014, are as follows:

Year	Amount
2015	$ 10,771,561
2016	6,996,980
2017	5,840,019
2018	4,315,962
2019	1,957,120
Thereafter	23,916,882
	53,798,524
Less: Amount representing interest	5,964,309
Present value of net minimum lease payments	47,834,215
Less: Current portion	9,126,842
	$ 38,707,373

The interest expense under these leases was approximately $1,665,000 and $876,000 in 2014 and 2013, respectively.

7. Retirement Plans

Certain WCHCC employees are covered by retirement plans of the New York State and Local Employees' Retirement System (the System). The System is a cost-sharing, multiple public employer retirement system. Obligations of employers to contribute and benefits provided to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. Benefits generally vest after five or ten years of credited service.

The NYSRSSL provides that all participating employers are jointly and severally liable for any actuarially unfunded amounts. Such amounts are collected through annual billings to all participating employers. The System is noncontributory except for employees who joined the System after July 27, 1976; such employees contribute 3% of their salary for the first ten years of their service. Employees who joined the System after January 1, 2010 contribute 3% of their salary for all years of public service. Employees who joined the system after April 1, 2012 contribute at a rate based on the employees' annual compensation for all years of public service. Charges from the System cover April 1 to March 31 of the year in which the payment is due, which was February 1, 2013 for the 2012-2013 State plan year and February 1, 2012 for the 2011-2012 State plan year. Amounts are accrued in WCHCC's Statements of Net Position by prorating charges incurred in WCHCC's fiscal year. The amount outstanding for current and prior year contributions as of December 31, 2014 and 2013 was approximately $64,318,000 and $56,532,000, respectively, and is included in accrued salaries and related withholdings and other long term liabilities in the accompanying Statements of Net Position.

NYSRSSL Chapter 57 of the Laws of 2010 authorized the New York State and local employers to amortize over ten years, at 3.67 percent (2014) and 3.00 percent (2013) interest, the portion of their annual bill that exceeded 12.5 percent and 11.5 percent of payroll for its 2014 and 2013 pension bills respectively. The following is the activity of deferred pension contributions which is included in other liabilities for the years ended December 31, 2014 and 2013:

	December 31, 2013	Additions	Reductions	December 31, 2014	Amounts Due Within One Year
Deferred contributions	$ 35,318,873	$ 1,941,328	$ (3,685,462)	$ 33,574,739	$ 4,486,695

	December 31, 2012	Additions	Reductions	December 31, 2013	Amounts Due Within One Year
Deferred contributions	$ 28,304,288	$ 9,362,522	$ (2,347,937)	$ 35,318,873	$ 3,685,462

WCHCC's annual plan cost amounted to approximately $39,755,000, $42,224,000 and $41,470,000 in 2014, 2013 and 2012, respectively, based on a percentage (which varies with length of service) of the salaries of covered employees.

The System issues a financial report that includes financial statements and required supplementary information, which may be obtained by submitting a request in writing to New York State and Local Retirement System, Retirement Communication Office, 110 State Street, Albany, NY 12244-0001.

WCHCC also provides a 401(k) Plan (the Plan) for certain employees of Mid-Hudson Valley Staffco and WM Regional Physician Services. The Plan is a defined contribution plan open to eligible participants that have completed 1,000 or more hours of service per calendar year and have attained the age of 21 years. Employees are eligible to contribute to the Plan upon hire and vest immediately. Employer contributions begin upon the employee reaching two years of service. Eligible employees will receive employer contributions of 1% of gross salary basic contribution plus an additional 1% of gross salary matching contribution. Employees vest in employer contributions immediately upon earning the contributions. As of December 31, 2014 there were approximately 1,000 participants in the Plan. For the year ended December 31, 2014 the Plan had total payroll expense of approximately $53,724,000 of which approximately $46,702,000 was covered by the Plan. Total employer contributions to the Plan for December 31, 2014 were approximately $486,000.

8. Other Postemployment Benefits

WCHCC provides Other Postemployment Benefits (OPEB) that provides basic medical and hospitalization plan coverage to eligible retirees through a single employer defined benefit plan. The plan does not issue its own stand-alone financial statements. Eligible retirees may only be covered under the indemnity plan of WCHCC. To qualify, retirees must (i) have at least five years of paid service with WCHCC (service prior to January 1, 1998 with the County counts towards the five-year requirement) and (ii) be eligible to receive a retirement allowance from a retirement system administered by the State of New York or one of its civil divisions. Employees hired on or after January 1, 2007 require 20 years of service to qualify for a post-retirement health benefit. Individual coverage is provided to retirees at no cost. Subsequent to December 31, 2012, certain retirees are required to contribute to the cost of this

coverage. Retirees may elect family coverage at a cost of 20% of the difference between the premium equivalent cost of family and individual coverage. Currently, 76% of the participants have elected individual coverage.

WCHCC's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of WCHCC's annual OPEB cost for the years ended December 31, 2014 and 2013, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation.

	2014	2013
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	$ 4,200,000	$ 10,361,000
Amortization payment	11,355,000	9,101,000
Interest cost	621,000	779,000
Total	16,176,000	20,241,000
ARC adjustment	(2,763,000)	(6,800,000)
Interest on net OPEB obligation	2,893,000	2,804,000
Annual OPEB cost	$ 16,306,000	$ 16,245,000
Net OPEB obligation:		
Annual required contribution	$ 16,306,000	$ 16,245,000
Amortization of change in estimate	(1,401,000)	(1,401,000)
Contributions made	(13,262,000)	(12,638,000)
Increase in OPEB obligation	1,643,000	2,206,000
Net OPEB obligation - beginning of year	73,719,000	71,513,000
Net OPEB obligation - end of year	$ 75,362,000	$ 73,719,000
Percentage of annual OPEB:		
Cost contributed	81.33 %	77.80 %

Annual OPEB cost, contributions made and percentage of costs contributed for the year ended December 31, 2012 were $16,573,000, $9,627,000 and 58.09%, respectively.

As of January 1, 2014 and 2013, the plan was unfunded. The unfunded actuarial accrued liability (UAAL) as of December 31, 2014 and 2013 is $300,700,000 and $280,100,000, respectively. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to the covered payroll as of December 31, 2014 and 2013 is $297,100,000 and 165.8% and $276,800,000 and 158.4%, respectively. (See Required Supplementary Information).

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, including assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the

funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. WCHCC's most recent actuarial evaluation was performed on January 1, 2014 and reported an actuarial accrued liability of $297,100,000 which was not funded.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the 2014 actuarial valuation, the entry age normal actuarial cost method was used. For the 2013 actuarial valuation, the frozen entry age actuarial cost method was used. The UAAL is amortized over a closed layered 30 year period using a level percentage of payroll. For 2014, the actuarial assumptions include a 4% discount rate, and an annual initial health trend rate of 8.0% for pre-65 and 5.3% for post-65, grading over ten years to an ultimate rate of 3.7% for pre-65 and 3.8% for post-65. For 2013, the actuarial assumptions include a 4% discount rate, and an annual initial health trend rate of 8.2% for pre-65 and 4.5% for post-65, grading over ten years to an ultimate rate of 3.8% for pre-65 and 4.0% for post-65.

9. Self-Insurance Liability

The following is the activity of the self-insurance liability for the years ended December 31, 2014 and 2013:

	December 31, 2013	Additions	Reductions	December 31, 2014	Amounts Due Within One Year
Workers' compensation self-insurance (a)	$ 20,310,000	$ 7,639,351	$ (6,469,351)	$ 21,480,000	$ 4,500,000
Malpractice self-insurance (b)	89,811,615	6,666,850	(9,119,734)	87,358,731	17,000,000
Health insurance (c)	4,700,000	44,475,936	(45,475,936)	3,700,000	3,700,000
Other self-insurance (d)	1,775,000	450,000	(150,000)	2,075,000	-
	$ 116,596,615	$ 59,232,137	$ (61,215,021)	$ 114,613,731	$ 25,200,000

	December 31, 2012	Additions	Reductions	December 31, 2013	Amounts Due Within One Year
Workers' compensation self-insurance (a)	$ 20,035,301	$ 6,865,756	$ (6,591,057)	$ 20,310,000	$ 4,425,000
Malpractice self-insurance (b)	90,709,650	12,626,530	(13,524,565)	89,811,615	17,000,000
Health insurance (c)	4,700,000	35,702,823	(35,702,823)	4,700,000	4,700,000
Other self-insurance (d)	940,000	1,475,000	(640,000)	1,775,000	425,000
	$ 116,384,951	$ 56,670,109	$ (56,458,445)	$ 116,596,615	$ 26,550,000

a. Pursuant to Article 11 of the Transition Agreement between the County and WCHCC, the County transferred a portion of the assets in the County's 6-j Self–Insurance Reserve Fund (renamed the Workers' Compensation Reserve Trust by WCHCC) to WCHCC and WCHCC contracted to indemnify the County for the corresponding workers' compensation liability for claims arising out of incidents involving hospital operations that occurred prior to January 1, 1998, when WCHCC became a public benefit corporation.

WCHCC's workers' compensation liability consists of a self-insurance fund and coverage from a commercial insurance carrier under a claims-made basis. During the period June 1, 1999 through June 1, 2002, excess insurance coverage was purchased that attached at $250,000 per occurrence with $5,000,000 in annual aggregate coverage. For the period June 1, 2002 through June 1, 2003, excess insurance coverage was purchased that attached at $300,000 per occurrence with $5,000,000 in annual aggregate coverage. Prior to June 1, 1999 and from June 1, 2003 to June 30, 2008, WCHCC did not purchase excess insurance.

Effective July 1, 2008, excess insurance coverage was purchased that attached at $750,000 per occurrence with $1,000,000 in annual aggregate coverage. As part of WCHCC's workers' compensation self-insurance plan, WCHCC obtains a semi-annual actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on WCHCC's specific and industry-wide data.

The following represents information as it relates to the workers' compensation self-insurance plan as of December 31:

	2014	2013
Gross self-insurance liability	$ 22,214,000	$ 21,053,000
Present value of self-insurance liability	21,480,000	20,310,000
Discount factor	3.5%	3.5%

b. Effective January 1, 1998, WCHCC commenced operations of WCHCC Bermuda, a captive insurance company. WCHCC Bermuda has provided the hospital professional liability insurance (HPL) and general liability insurance (GL) for WCHCC since January 1, 1998 and has insured and/or reinsured the physicians and surgeons professional liability (PPL) through December 31, 2007.

Effective January 1, 2008, approximately 300 private attending physicians, many of whom had previously been provided malpractice insurance coverage through WCHCC Bermuda, obtained coverage with a commercial insurance company - Academic Health Professionals Insurance Association (Academic Health). WCHCC Bermuda will continue to provide insurance coverage for WCHCC and certain of its employed physicians. In addition, an excess insurance policy was purchased. This excess liability insurance policy attaches above the HPL and GL for the Medical Center's employed physicians and above the first layer of excess of those physicians insured by Academic Health. As of January 1, 2010, excess insurance will no longer attach above the first layer of excess of those physicians insured by Academic Health.

Outstanding projected liabilities are composed of estimates of the ultimate case value (indemnity and expenses) established by an independent case adjuster, plus a provision for losses incurred, but not reported, based on the recommendations of an independent actuary using historical and industry

data. WCHCC Bermuda's actuarial liabilities have been discounted at 3.5% at December 31, 2014 and 2013.

In the normal course of operations WCHCC Bermuda's bankers had issued a letters of credit in the amount of $11,697,500 as of December 31, 2013 in favor of a ceding insurance company, as collateral for WCHCC Bermuda's reinsurance obligations. At December 31, 2013 a similar cash amount has been pledged as collateral for these letters of credit. The letters of credit were cancelled during 2014 and the investments were released from collateral restrictions.

WCHCC Bermuda is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2014 and 2013, WCHCC Bermuda is required to maintain a minimum statutory capital and surplus of $8,700,000. As of December 31, 2014 and 2013, actual statutory capital and surplus was approximately $43,450,000 and $28,435,000, respectively.

The malpractice self-insurance liabilities for the period 1998 to 2012 include an actuarially determined liability recorded by WCHCC Bermuda on a claims-made basis and an actuarially determined liability accrued by the Medical Center for claims incurred but not reported. Such valuations are based on WCHCC's specific and industry-wide data and have been discounted at 3.5% at December 31, 2014 and 2013.

HPL coverage is provided on an occurrence basis with coverage of $12,000,000 in 2014 and 2013, for each and every claim with no aggregate limit for the Medical Center and its employed physicians. The excess liability insurance policy attaches above the HPL and GL for the Medical Center and above each employed physician.

c. WCHCC is self-insured for health insurance for all employees. Claims which have been incurred and incurred but not reported represent a liability to WCHCC at December 31, 2014 and 2013 and as such, a liability has been included in the accompanying Statement of Net Position.

d. Professional and general liability claims have been asserted against WCHCC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by legal counsel to WCHCC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and such other claims may arise. It is the opinion of management, in consultation with WCHCC's legal counsel, that the final disposition of such claims will not have a material adverse effect on WCHCC's financial position, results of operations, or liquidity.

10. Services and Utilities Provided by the County of Westchester

WCHCC purchases certain services and utilities from the County. For the years ended December 31, 2014 and 2013, the County charged WCHCC for direct costs incurred in providing such services and utilities. The services provided to WCHCC are contracted with the Department of Public Works, the Department of Laboratories, Information Technology Department, and the County Road Maintenance Department.

Costs were comprised of the following for the years ended December 31:

	2014	2013
Department of Public Works and maintenance service	$ 8,898,894	$ 7,107,098
General administration services	40,224	40,260
Other professional services	771,765	807,758
	$ 9,710,883	$ 7,955,116

The above costs are included in supplies and other expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

11. Affiliation Agreement

WCHCC has an affiliation agreement with New York Medical College (the College), under the terms of which WCHCC pays the College for salaries and fringe benefits for supervisory physicians' services. For the years ended December 31, 2014 and 2013, the College was reimbursed approximately $21,251,000 and $25,537,000, respectively, which is included in supplies and other expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

12. Operating Leases

WCHCC leases various equipment and facilities under operating leases expiring at various dates.

The following is a schedule by year for the next five years of future minimum lease payments and sublease rental income under noncancelable operating leases as of December 31, 2014 that have initial or remaining lease terms in excess of one year:

	Rent Expense	Rent Income
2015	$ 14,751,000	$ 1,779,000
2016	12,054,000	1,459,000
2017	4,263,000	1,293,000
2018	3,222,000	802,000
2019	1,552,000	790,000

Total rental expense in 2014 and 2013 for all operating leases was approximately $17,654,000 and $15,063,000, respectively. Total rental income in 2014 and 2013 for all operating leases was approximately $2,530,000 and $2,237,000, respectively.

13. Transition/Cooperation Agreements

In 1997, the State adopted legislation that created WCHCC as a New York public benefit corporation effective January 1, 1998. At that time, the facilities and operations of WCHCC were transferred from the County to WCHCC pursuant to a long-term lease and operating agreement. Subsequently, a Transition Agreement and an Amended and Restated Lease Agreement (Lease) were affected. The Lease is a 60-year real property lease for land and facilities with an option for extension.

The Transition Agreement was in effect from January 1, 1998 through December 31, 2007.

Effective January 1, 2008, the County and WCHCC replaced the Transition Agreement with the Cooperation Agreement, which is a ten years agreement that may be terminated by either party upon ninety days' notice.

The Cooperation Agreement addresses several legacy issues between WCHCC and the County. For example, WCHCC is required to achieve certain financial targets and provide regular financial reports to the County. The Cooperation Agreement also allows for credit support and additional guarantees of WCHCC's long-term debt at the discretion of the County, of which there was none as of December 31, 2014 and 2013.

14. Commitment and Contingencies

WCHCC has agreements with third-party payors that provide for payments to WCHCC at amounts different from its established rates. The following is the activity of estimated third-party-payor liabilities for the years ended December 31, 2014 and 2013:

	December 31, 2013	Additions	Reductions	December 31, 2014	Amounts Due Within One Year
Estimated third-party payor	$ 55,016,390	$ 31,724,656	$ (19,035,832)	$ 67,705,214	$ 27,291,831

	December 31, 2012	Additions	Reductions	December 31, 2013	Amounts Due Within One Year
Estimated third-party payor	$ 34,346,849	$ 35,960,896	$ (15,291,355)	$ 55,016,390	$ 11,061,816

A summary of the payment arrangements follows:

Reimbursement

Medicare

Under the Medicare program, WCHCC receives reimbursement under a prospective payment system (PPS) for inpatient and outpatient services. Under inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis-related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional outlier payments. Under outpatient PPS, services are paid based on service groups called ambulatory payment classifications (APCs).

WCHCC's psychiatric unit was reimbursed on a cost-based system, subject to certain cost limits though December 31, 2004. Commencing January 1, 2005, Medicare began transitioning this service to PPS and is paying on a fixed per diem basis, also recognizing the intensity of services provided to the patients, age and co-morbidities and geographic wage differences.

Medicaid and Other Third-Party Payors

Medicaid, workers' compensation and no fault payors pay rates which are promulgated by the New York State Department of Health (Department of Health). Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG. Effective December 1, 2009, the Department of Health was authorized by state statute to implement a new hospital

inpatient payment system. To provide a more equitable and fair payment method for services being rendered, New York implemented a severity-based methodology using 3M™ All Patient Refined Diagnosis Related Groups (APR-DRGs). In addition, a new acute care payment methodology has been developed.

All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and other managed care plans, negotiate payment rates directly with WCHCC. Such arrangements vary from DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at WCHCC's established charges.

New York State regulations provide for the distribution of funds from an indigent care pool which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the hospitals based on each hospital's level of bad debts and charity care in relation to all other hospitals. For the years ended December 31, 2014 and 2013, WCHCC received distributions of approximately $9,106,000 and $7,978,000, respectively from the indigent care pool, which are included in net patient service revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Both Federal and New York State regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. WCHCC has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors, and amounts due from the indigent care pool for such adjustments.

There are various proposals at the Federal and New York State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Revenue from the Medicare and Medicaid programs accounted for approximately 22% and 10%, respectively, of WCHCC's net patient service revenue for the year ended December 31, 2014 and 19% and 10%, respectively, for the year ended December 31, 2013. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. WCHCC believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

Disproportionate Share

WCHCC is eligible to receive certain Disproportionate Share ("DSH") payments in recognition of the costs associated with the provision of care to uninsured patients. Funding for these payments is provided by local and Federal sources. WCHCC includes these payments in net patient service revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Position. In 2014 and 2013, WCHCC recorded approximately $57,792,000 and $50,059,000, respectively, of net DSH revenue. Amounts recognized as revenue represent amounts received for which all required Federal and State approvals have been received in WCHCC's fiscal year.

Other Matters

A health care entity's revenues may be subject to adjustment as a result of examination by government agencies or contractors. The audit process and the resolution of significant related matters often are not finalized until several years after the services were rendered. Reasonable estimates of such adjustments are made to third-party revenue recognition in order to not recognize revenue that may not ultimately be realized. The delay between rendering services and reaching final settlement, as well as the complexities and ambiguities of billing and reimbursement regulations, makes it difficult to estimate net realizable third-party revenues. Actual results may differ significantly from those estimates.

Management recognizes revenues relating to third-party settlements and patient service revenues when the realization of such amounts are reasonably assured. Management makes a reasonable estimate of amounts that ultimately will be realized, considering, among other things, adjustments associated with regulatory reviews, audits, billing reviews, investigations, or other proceedings.

WCHCC has received payments related to Medicaid services and settlement, DSH and other Medicare related reimbursements. Due to the fact that certain of these revenues may be subject to adjustment as a result of examination by government agencies, management has determined that not all of these receipts are realizable as of December 31, 2014 and therefore have not been recognized as revenue given uncertainties and the fact that they are subject to further adjustment.

The operation of WCHCC's patient care services business is subject to federal and state laws prohibiting fraud by healthcare providers, including laws containing criminal provisions, which prohibit filing false claims or making false statements in order to receive payment or obtain certification under Medicare and Medicaid programs, or failing to refund overpayments or improper payments. Violation of these criminal provisions is a felony punishable by imprisonment and/or fines. WCHCC may also be subject to fines and treble damage claims if WCHCC knowingly files a false claim or knowingly uses false statements to obtain payment. State and federal governments are devoting increased attention and resources to anti-fraud initiatives against healthcare providers. The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 expanded the penalties for healthcare fraud, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs. WCHCC has established policies and procedures that it believes are sufficient to ensure that it operates in substantial compliance with these anti-fraud and abuse requirements.

On or about January 27, 2007, WCHCC received an administrative subpoena *duces tecum* (the Subpoena) issued by the Office of Inspector General of the United States Department of Health and Human Services (OIG), working in coordination with the Civil Division of the Office of United States Attorney for the Southern District of New York (USAO/SDNY). The Subpoena sought documents and other information, dating back to January 1997, primarily related to contractual arrangements between physicians and WCHCC. The Subpoena also sought production of WCHCC's annual Medicare and Medicaid cost reports, information on WCHCC's Medicare outlier payments received by WCHCC and other related information.

On July 10, 2013, the USAO/SDNY initiated settlement discussions. WCHCC ultimately reached an agreement-in-principle to settle with the USAO/SDNY on August 18, 2014, subject to the negotiation of a definitive and binding written agreement. Under the terms of the agreement-in-principle, in consideration for WCHCC's payment of civil damages in the amount of $18,800,000, the USAO/SDNY will release WCHCC and its current and former officers, directors, employees, affiliates and assigns from any civil liabilities arising under the False Claims Act and the common law for the covered conduct at issue. WCHCC expects to reach a definitive and binding agreement by April 2015.

Various suits and claims arising in the normal course of operations are pending. While the outcome of these suits cannot be determined at this time, management believes that such suits and claims are either specifically covered by insurance or the final disposition of such claims will not have a material effect on WCHCC's financial position, results of operations, or liquidity.

In December 2014, WCHCC submitted an application to New York State Department of Health (NYSDOH) for participation in New York State's (the State) Delivery System Reform Incentive Program (DSRIP). WCHCC's application received the highest scores in the State on several key measures and was recommended for funding from this program by the NYSDOH to the Centers for Medicare and Medicaid Services. Although WCHCC believes that it will receive a significant amount of DSRIP funding over the life of the five year program, the ultimate amount of funding cannot be determined at this time since it is dependent on certain regulatory approvals as well as the ability of WCHCC to meet certain program benchmarks on a quarterly basis over the life of the program.

On December 19, 2014, WCHCC entered into a letter of intent with Bon Secours Charity Health System (BSCHS) and Bon Secours Health System, Inc. (BSHSI) concerning a transaction pursuant to which WCHCC would become a majority co-member in and manage the day to day operations of BSCHS and its subsidiaries and facilities among other covenants. WCHCC is currently in the due diligence phase of this process.

On December 22, 2014, WCHCC entered into a letter of intent with HealthAlliance, Inc., d/b/a HealthAlliance of the Hudson Valley (HAHV) regarding an affiliation whereby HAHV and certain of its affiliates will join WCHCC's health care system. WCHCC is currently in the due diligence phase of this process.

15. Line of Credit

In March 2011, WCHCC obtained a $25,000,000 working capital revolving line of credit from a financial institution. The line of credit was renewed in August 2014 and in December 2014 the line of credit was increased to $35,000,000. The line of credit matures on August 31, 2015 and may be renewed with the approval of the financial institution or converted to a three year term loan. As of December 31, 2014 and 2013, there is no amount outstanding under the line of credit.

Westchester County Health Care Corporation
Required Supplementary Information
Schedule of Funding Progress – Other Postemployment Benefits (Unaudited)
December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) Initial Entry Age (b)	Unfunded (AAL) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
01/01/14	$ -	$ 297,146,000	$ 297,146,000	0.0%	$ 179,466,000	165.6%
01/01/13	$ -	$ 276,824,000	$ 276,824,000	0.0%	$ 174,737,000	158.4%
01/01/12	$ -	$ 281,128,000	$ 281,128,000	0.0%	$ 184,522,000	152.4%

The above represents the valuation of the plan as of January 1.

Westchester County Health Care Corporation
Supplementary Schedule - Combining Statements of Net Position Information
December 31, 2014

	Combined Westchester County Health Care Corporation	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Assets					
Cash and cash equivalents	$ 201,670,921	$ 4,409,923	$ 1,696,660	$ -	$ 207,777,504
Patient accounts receivable, net	149,399,741	-	-	-	149,399,741
Investments	-	594,590	-	-	594,590
Assets restricted as to use, required for current liabilities	17,000,000	5,107,662	2,004,938	-	24,112,600
Other current assets	38,448,306	454,405	168,550	(426,162)	38,645,099
Total current assets	406,518,968	10,566,580	3,870,148	(426,162)	420,529,534
Assets restricted as to use, net	124,129,898	366,166	644,865	-	125,140,929
Capital assets, net	409,586,001	-	-	-	409,586,001
Other assets, net	5,267,646	208,905	-	-	5,476,551
Beneficial interest in Foundation net assets	15,121,133	-	-	(15,121,133)	-
Total assets	960,623,646	11,141,651	4,515,013	(15,547,295)	960,733,015
Liabilities					
Current portion of long-term debt	19,852,842	-	-	-	19,852,842
Accounts payable and accrued expenses	100,412,661	320,546	214,985	(426,162)	100,522,030
Accrued salaries and related withholdings	80,492,491	-	-	-	80,492,491
Current portion of estimated liability to third-party payors	27,291,831	-	-	-	27,291,831
Current portion of post retirement health insurance liability	12,961,000	-	-	-	12,961,000
Current portion of estimated self-insurance liability	25,200,000	-	-	-	25,200,000
Current portion of other liabilities	6,439,647	-	-	-	6,439,647
Total current liabilities	272,650,472	320,546	214,985	(426,162)	272,759,841
Long-term debt, net	474,608,373	-	-	-	474,608,373
Estimated liability to third-party payors, net	40,413,383	-	-	-	40,413,383
Estimated post retirement health insurance liability, net	62,401,000	-	-	-	62,401,000
Estimated self-insurance liability, net	89,413,731	-	-	-	89,413,731
Other liabilities, net	31,367,007	-	-	-	31,367,007
Total liabilities	970,853,966	320,546	214,985	(426,162)	970,963,335
Net Position					
Restricted					
Expendable for capital acquisitions	2,379,565	1,857,302	522,263	(2,379,565)	2,379,565
Expendable for specific operating activities	5,744,066	3,616,526	2,127,540	(5,744,066)	5,744,066
Net investment in capital assets	51,471,019	-	-	-	51,471,019
Unrestricted	(69,824,970)	5,347,277	1,650,225	(6,997,502)	(69,824,970)
Total net position	$ (10,230,320)	$ 10,821,105	$ 4,300,028	$ (15,121,133)	$ (10,230,320)

See Accompanying Report of Independent Certified Public Accountants.

Westchester County Health Care Corporation
Supplementary Schedule - Combining Statements of Net Position Information
December 31, 2013

	Combined Westchester County Health Care Corporation	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Assets					
Cash and cash equivalents	$ 198,410,327	$ 4,103,900	$ 1,906,507	$ -	$ 204,420,734
Patient accounts receivable, net	127,674,680	-	-	-	127,674,680
Investments	-	593,329	-	-	593,329
Assets restricted as to use, required for current liabilities	17,000,000	4,826,997	2,263,328	-	24,090,325
Other current assets	32,750,220	351,266	57,980	(167,699)	32,991,767
Total current assets	375,835,227	9,875,492	4,227,815	(167,699)	389,770,835
Assets restricted as to use, net	157,002,139	573,199	718,781	-	158,294,119
Capital assets, net	318,117,153	-	-	-	318,117,153
Other assets, net	5,200,602	244,031	-	-	5,444,633
Beneficial interest in Foundation net assets	15,401,127	-	-	(15,401,127)	-
Total assets	871,556,248	10,692,722	4,946,596	(15,568,826)	871,626,740
Liabilities					
Current portion of long-term debt	18,650,555	-	-	-	18,650,555
Accounts payable and accrued expenses	76,399,262	156,110	82,081	(167,699)	76,469,754
Accrued salaries and related withholdings	69,053,991	-	-	-	69,053,991
Current portion of estimated liability to third-party payors	11,061,816	-	-	-	11,061,816
Current portion of post retirement health insurance liability	12,164,000	-	-	-	12,164,000
Current portion of estimated self-insurance liability	26,550,000	-	-	-	26,550,000
Current portion of other liabilities	7,069,114	-	-	-	7,069,114
Total current liabilities	220,948,738	156,110	82,081	(167,699)	221,019,230
Long-term debt, net	435,395,581	-	-	-	435,395,581
Estimated liability to third-party payors, net	43,954,574	-	-	-	43,954,574
Estimated post retirement health insurance liability, net	61,555,000	-	-	-	61,555,000
Estimated self-insurance liability, net	90,046,615	-	-	-	90,046,615
Other liabilities, net	34,078,235	-	-	-	34,078,235
Total liabilities	885,978,743	156,110	82,081	(167,699)	886,049,235
Net Position					
Restricted					
Expendable for capital acquisitions	2,717,305	1,740,542	976,763	(2,717,305)	2,717,305
Expendable for specific operating activities	5,665,000	3,659,654	2,005,346	(5,665,000)	5,665,000
Net investment in capital assets	6,732,192	-	-	-	6,732,192
Unrestricted	(29,536,992)	5,136,416	1,882,406	(7,018,822)	(29,536,992)
Total net position	$ (14,422,495)	$ 10,536,612	$ 4,864,515	$ (15,401,127)	$ (14,422,495)

See Accompanying Report of Independent Certified Public Accountants.

Westchester County Health Care Corporation
Supplementary Schedule – Combining Statements Revenues, Expenses, and Changes in Net Position Information
Year Ended December 31, 2014

	Combined Westchester County Health Care Corporation	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Operating revenues					
Net patient service revenue	$ 1,025,476,316	$ -	$ -	$ -	$ 1,025,476,316
Other revenue	30,400,455	2,876,877	2,167,338	(1,789,561)	33,655,109
Total operating revenues	1,055,876,771	2,876,877	2,167,338	(1,789,561)	1,059,131,425
Operating expenses					
Salaries and benefits	562,874,363	-	-	-	562,874,363
Supplies and other expenses	412,843,158	1,609,526	1,735,738	(2,048,235)	414,140,187
Professional liability	8,176,954	-	-	-	8,176,954
Depreciation and amortization	50,427,930	-	-	-	50,427,930
Total operating expenses	1,034,322,405	1,609,526	1,735,738	(2,048,235)	1,035,619,434
Operating income	21,554,366	1,267,351	431,600	258,674	23,511,991
Nonoperating activities					
Interest income	5,705,793	17,142	3,913	-	5,726,848
Interest expense	(25,046,664)	-	-	-	(25,046,664)
Income before capital contributions	2,213,495	1,284,493	435,513	258,674	4,192,175
Change in beneficial interest in Foundation net assets	(21,320)	-	-	21,320	-
Capital contributions	2,000,000	(1,000,000)	(1,000,000)	-	-
Increase in net position	4,192,175	284,493	(564,487)	279,994	4,192,175
Net position					
Beginning of year	(14,422,495)	10,536,612	4,864,515	(15,401,127)	(14,422,495)
End of year	$ (10,230,320)	$ 10,821,105	$ 4,300,028	$ (15,121,133)	$ (10,230,320)

See Accompanying Report of Independent Certified Public Accountant.

Westchester County Health Care Corporation
Supplementary Schedule – Combining Statements of Revenues, Expenses, and Changes in Net Position Information
Year Ended December 31, 2013

	Combined Westchester County Health Care Corporation	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
Operating revenues					
Net patient service revenue	$ 895,371,943	$ -	$ -	$ -	$ 895,371,943
Other revenue	20,369,810	2,646,960	1,862,624	(1,463,040)	23,416,354
Total operating revenues	915,741,753	2,646,960	1,862,624	(1,463,040)	918,788,297
Operating expenses					
Salaries and benefits	473,772,966	-	-	-	473,772,966
Supplies and other expenses	358,636,711	1,379,064	1,232,354	(186,835)	361,061,294
Professional liability	13,714,339	-	-	-	13,714,339
Depreciation and amortization	44,105,172	105	-	-	44,105,277
Total operating expenses	890,229,188	1,379,169	1,232,354	(186,835)	892,653,876
Operating income	25,512,565	1,267,791	630,270	(1,276,205)	26,134,421
Nonoperating activities					
Interest income	3,733,814	17,746	4,966	-	3,756,526
Interest expense	(23,621,278)	-	-	-	(23,621,278)
Income before capital contributions	5,625,101	1,285,537	635,236	(1,276,205)	6,269,669
Change in beneficial interest in Foundation net assets	542,779	-	-	(542,779)	-
Capital contributions	101,789	(17,015)	(84,774)	-	-
Increase in net position	6,269,669	1,268,522	550,462	(1,818,984)	6,269,669
Net position					
Beginning of year	(20,692,164)	9,268,090	4,314,053	(13,582,143)	(20,692,164)
End of year	$ (14,422,495)	$ 10,536,612	$ 4,864,515	$ (15,401,127)	$ (14,422,495)

See Accompanying Report of Independent Certified Public Accountant.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT

SCHEDULE OF DEFINITIONS

The following terms as used in the Official Statement for the "Series 2016 Bonds" and in APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENT" have the following meanings:

"Accountant" means an independent certified public accountant or a firm of independent certified public accountants selected by the Corporation.

"Act" means the Enabling Act.

"Additional Bonds" means any bonds issued by the Issuer pursuant to Section 214 of the Indenture.

"Additional Equipment" means any additional materials, machinery, equipment, fixtures or furnishings acquired with the proceeds of a series of Additional Bonds, or intended to be acquired with any payment which the Corporation incurred in anticipation of the issuance of such Additional Bonds and for which the Corporation is reimbursed from the proceeds of such Additional Bonds, and such substitutions and replacements therefor and additions thereto as may be made from time to time pursuant to the Loan Agreement.

"Additional Facility" means any buildings (or portions thereof), or improvements thereto, (A) located on the Land or Additional Land, (B) financed or refinanced with the proceeds of the sale of a series of Additional Bonds or any payment which the Corporation incurred in anticipation of the issuance of such Additional Bonds and for which the Corporation is reimbursed from the proceeds of such Additional Bonds, and (C) not constituting a part of the Additional Equipment, all as they may exist from time to time.

"Additional Land" means any interest in land acquired by the Corporation in connection with the issuance of any series of Additional Bonds.

"Additional Project" means the purposes for which any series of Additional Bonds may be issued.

"Additional Project Facility" means any Additional Land, Additional Facility or Additional Equipment acquired by the Corporation in connection with the issuance of any series of Additional Bonds.

"Applicable Laws" means all material and applicable statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof (the applicability of such statutes, codes, laws, acts, ordinances, orders, rules, regulations, directions and requirements to be determined both as if the Issuer were the owner of the Project Facility and as if the Corporation and not the Issuer were the owner of the

Project Facility), including but not limited to (1) applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (2) restrictions, conditions or other requirements applicable to any permits, licenses or other governmental authorizations issued with respect to the foregoing, and (3) judgments, decrees or injunctions issued by any court or other judicial or quasi-judicial Governmental Authority.

"Application" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Authorized Denominations" means: (A), with respect to the Initial Bonds, $5,000 and any integral multiple of $5,000 in excess thereof, except that, if as a result of a redemption, partially redeemed Initial Bonds cannot be issued in such denominations, such partially redeemed Initial Bonds shall be reissued in such other denominations to the extent required to effect such redemption; and (B) with respect to any series of Additional Bonds, the authorized denominations for such series of Additional Bonds as set forth in the supplemental indenture relating thereto.

"Authorized Investments" means any of the following: (A) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; (B) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (1) U.S. Export-Import Bank ("Eximbank"), (2) Farmers Home Administration ("FmHA"), (3) Federal Financing Bank, (4) Federal Housing Administration Debentures ("FHA"), (5) General Services Administration, (6) Government National Mortgage Association ("GNMA" or "Ginnie Mae"), (7) U.S. Maritime Administration, and (8) U.S. Department of Housing and Urban Development ("HUD"); (C) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (1) Federal Home Loan Bank System, (2) Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), (3) Federal National Mortgage Association ("FNMA" or "Fannie Mae"), (4) Student Loan Marketing Association ("SLMA" or "Sallie Mae"), (5) Resolution Funding Corp. ("REFCORP") obligations, and (6) Farm Credit System; (D) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G", "AAA-m"; or "AA-m" and if rated by Moody's rated "Aaa", "Aal" or "Aa2"; (E) certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral; (F) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF; (G) investment agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Trustee; (H) commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P; (I) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies; (J) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and =guaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P; and (K) repurchase agreements for 30 days or less must follow the following criteria. The criteria is described as follows: (1) Repos must be between the municipal entity and a dealer bank or securities firm (a) primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or (b) banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services; (2) the written repo contract must include

the following: (a) securities which are acceptable for transfer are: (i) direct U.S. governments, or (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC), (b) the term of the repo may be up to 30 days, (c) the collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities), (d) valuation of collateral - the securities must be valued weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%, and (3) legal opinion which must be delivered to the municipal entity: (a) repo meets guidelines under state law for legal investment of public funds.

"Authorized Representative" means the Person or Persons at the time designated to act on behalf of the Issuer or the Corporation, as the case may be, by written certificate furnished to the Trustee containing the specimen signature of each such Person and signed on behalf of (A) the Issuer by its Chairman or Vice-Chairman, or such other person as may be authorized by resolution of the Issuer to act on behalf of the Issuer, (B) the Corporation by its Chief Executive Officer or Chief Financial Officer, or such other person as may be authorized by the board of trustees of the Corporation to act on behalf of the Corporation and (C) the Trustee by any Vice President, Assistant Vice President or Trust Officer, or such other person as may be authorized by the board of directors of the Trustee to act on behalf of the Trustee.

"Bankruptcy Code" means the United States Bankruptcy Code, constituting Title 11 of the United States Code, as amended from time to time, and any successor statute.

"Beneficial Owner" means, with respect to a Bond, a Person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

"Beneficial Ownership Interest" means the beneficial right to receive payments and notices with respect to the Bonds which are held by the Depository under a Book Entry System.

"Bond" or "Bonds" means, collectively, (A) the Initial Bonds and (B) any Additional Bonds.

"Bond Counsel" means the law firm of Winston & Strawn LLP, New York, New York or such other attorney or firm of attorneys located in the State whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and who are acceptable to the Issuer.

"Bond Details" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Bond Fund" means the fund so designated established pursuant to Section 401(A)(2) of the Indenture.

"Bond Payment Date" means each Interest Payment Date and each date on which principal or interest or premium, if any, or a Sinking Fund Payment, shall be payable on the Bonds according to their terms and the terms of the Indenture, including without limitation scheduled mandatory Redemption Dates, unscheduled mandatory Redemption Dates, dates of acceleration of the Bonds pursuant to Section 602 of the Indenture, optional Redemption Dates and Stated Maturity, so long as any Bonds shall be Outstanding.

"Bond Proceeds" means (A), with respect to the Initial Bonds, the proceeds of the sale of the Initial Bonds, including any accrued interest, paid to the Trustee on behalf of the Issuer by the Underwriter as the purchase price of the Initial Bonds, and (B), with respect to any series of Additional Bonds, the proceeds of the sale of such series of Additional Bonds, including any accrued interest, paid to the Trustee on behalf of the Issuer by the purchasers of such series of Additional Bonds as the purchase price of such series of Additional Bonds.

"Bond Purchase Agreement" means (A), with respect to the Initial Bonds, the Initial Bond Purchase Agreement, and (B) with respect to any series of Additional Bonds, any similar document executed by the Issuer and/or the Corporation in connection with the issuance and sale of such series of Additional Bonds.

"Bond Rate" means, with respect to any Bond, the applicable rate of interest on such Bond, as set forth in such Bond.

"Bond Register" means the register maintained by the Bond Registrar in which, subject to such reasonable regulations as the Issuer, the Trustee or the Bond Registrar may prescribe, shall provide for the registration of the Bonds and for the registration of transfers of the Bonds.

"Bond Registrar" means the Trustee, acting in its capacity as bond registrar under the Indenture, and its successors and assigns as bond registrar under the Indenture.

"Bond Resolution" means (A), with respect to the Initial Bonds, the Initial Bond Resolution and (B) with respect to any series of Additional Bonds, any resolution adopted by the members of the board of directors of the Issuer authorizing the issuance of such series of Additional Bonds.

"Bond Year" (A), with respect to the Initial Bonds, means each one (1) year period ending on the anniversary of the Closing Date relating to the Initial Bonds, or such other bond year as the Corporation and the Issuer may select from time to time in a manner complying with the Code, and (B) with respect to any series of Additional Bonds issued as Tax-Exempt Bonds, shall have the meaning set forth in the supplemental indenture related to such series of Additional Bonds.

"Bondholder" or "Holder" or "Owner of the Bonds" means the registered owner of any Bond, as indicated on the bond register maintained by the Bond Registrar, except that wherever appropriate the term "owners" shall mean the owners of the Bonds for federal income tax purposes.

"Book Entry Bonds" means Bonds held in Book Entry Form with respect to which the provisions of Section 213 of the Indenture shall apply.

"Book Entry Form" or "Book Entry System" means, with respect to the Bonds, a form or system, as applicable, under which (A) the Beneficial Ownership Interests may be transferred only through a book entry and (B) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Bondholder, with the physical Bond certificates "immobilized" in the custody of the Depository or a custodian on behalf of the Depository. The Book Entry System which is maintained by and the responsibility of the Depository (and which is not maintained by or the responsibility of the Issuer or the Trustee) is the record that identifies, and records the transfer of the interests of, the owners of book entry interests in the Bonds.

"Business Day" means any day of the year other than (A) a Saturday or Sunday, (B) a day on which the New York Stock Exchange is closed or (C) a day on which commercial banks in New York,

New York, or the city or cities in which the Office of the Trustee is located, are authorized or required by law, regulation or executive order to close.

"Certificate of Authentication" means the certificate of authentication in substantially the form attached to the form of the Initial Bonds attached as Schedule I to the Indenture.

"Closing Date" means (A), with respect to the Initial Bonds, the date on which authenticated Initial Bonds are delivered to or upon the order of the Underwriter and payment is received therefor by the Trustee on behalf of the Issuer, and (B), with respect to any series of Additional Bonds, the date on which such Additional Bonds of such series are authenticated and delivered to the purchaser thereof and payment therefor is received by the Trustee on behalf of the Issuer.

"Code" means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of said Code, and the applicable regulations (whether proposed, temporary or final) of the United States Treasury Department promulgated under said Code and the statutory predecessor of said Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

"Completion Date" means (A) with respect to the Initial Project, the date of substantial completion of the undertaking of the Initial Project, as evidenced in the manner provided in Section 4.4 of the Loan Agreement and (B), with respect to any Additional Project, the date of substantial completion of the undertaking of such Additional Project, as evidenced in the manner provided in Section 4.4 of the Loan Agreement.

"Condemnation" means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any Governmental Authority.

"Construction Period" means the Project Period.

"Continuing Disclosure Agreement" means (A), with respect to the Initial Bonds, the Initial Continuing Disclosure Agreement and (B), with respect to any series of Additional Bonds, any similar document executed by the Corporation in connection with the issuance of such series of Additional Bonds.

"Corporation" means Westchester County Health Care Corporation, a New York public benefit corporation, and its successors and assigns, to the extent permitted by Section 8.3 of the Loan Agreement.

"Cost of the Project" means (A), with respect to the Initial Project, all those costs and items of expense relating thereto incurred subsequent to the Inducement Date, and costs which the Corporation incurred prior to the Inducement Date with respect to the Initial Project in anticipation of the issuance of the Initial Bonds and for which the Corporation may be reimbursed from proceeds of the Initial Bonds pursuant to the provisions of the Initial Tax Certificate, and (B), with respect to any Additional Project, all those costs and items of expense relating thereto, including costs which the Corporation incurred with respect to such Additional Project in anticipation of the issuance of the related series of Additional Bonds and for which the Corporation will be reimbursed from proceeds of the related series of Additional Bonds.

"County" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Debt Service Payment" means, with respect to any Bond Payment Date, (A) the interest payable on the Bonds on such Bond Payment Date, plus (B) the principal, if any, payable on the Bonds on such

Bond Payment Date, plus (C) the premium, if any, payable on the Bonds on such Bond Payment Date, plus (D) the Sinking Fund Payments, if any, payable on the Bonds on such Bond Payment Date.

"Default Interest Rate" means the rate of interest equal to fifteen percent (15%) per annum, or the maximum permitted by law, whichever is less.

"Defaulted Payments" shall have the meaning ascribed to such term in Section 207(C) of the Indenture.

"Defeasance Escrow Agreement" shall mean that certain letter of instructions from the Corporation and acknowledged by the Prior Trustee, pursuant to which an escrow deposit derived from a portion of the sale of the Initial Bonds and other available moneys (the "Defeasance Escrow Deposit") will be made with the Prior Trustee, in an amount sufficient to enable the Prior Trustee to defease the Refunded Bonds in full.

"Defeasance Obligations" means (A) cash, or (B) direct obligations of the United States of America or of any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States, including, but not limited to, United States Treasury obligations.

"Depository" means, initially, The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other securities depository designated in any supplemental resolution of the Issuer to serve as securities depository for the Bonds that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Book Entry Bonds.

"Depository Letter" means (A), with respect to the Initial Bonds, the Initial Depository Letter, and (B), with respect to any series of Additional Bonds issued as Book Entry Bonds, any letter of representations by and among the Issuer, the Trustee and the Depository relating to such series of Additional Bonds, and any amendments or supplements thereto entered into with respect thereto.

"Direct Participant" means a Participant as defined in the Depository Letter.

"Enabling Act" means Section 1411 of the Not-For-Profit Corporation Law of the State of New York, as amended.

"Equipment" means, collectively, the Initial Equipment and any Additional Equipment.

"Event of Default" means (A) with respect to the Indenture, any of those events defined as an Event of Default by the terms of Article VI of the Indenture, (B) with respect to the Loan Agreement, any of those events defined as an Event of Default by the terms of Article X of the Loan Agreement, and (C) with respect to any other Financing Document, any of those events defined as an Event of Default by the terms thereof.

"Extraordinary Services" and "Extraordinary Expenses" means all reasonable services rendered and all reasonable expenses incurred by the Trustee or any paying agent under the Indenture, other than Ordinary Services and Ordinary Expenses, including, but not limited to, reasonable attorneys fees and any services rendered and any expenses incurred with respect to an Event of Default or with respect to the occurrence of an event which upon the giving of notice or the passage of time would ripen into an Event of Default under any of the Financing Documents.

"Facility" means the Initial Facility and any Additional Facilities.

"Final Maturity" means, with respect to any particular Bond, the final Stated Maturity of the principal due on such Bond, unless such Bond is called for redemption in whole prior to such date, in which case any such term shall mean the Redemption Date relating to such Bond.

"Financing Documents" means (A), with respect to the Initial Bonds, the Initial Financing Documents and (B), with respect to any series of Additional Bonds, any similar documents executed by the Corporation and/or the Issuer in connection with the issuance of such series of Additional Bonds.

"Financing Statements" means any and all financing statements (including continuation statements) or other instruments filed or recorded from time to time to perfect the security interests created in the Financing Documents.

"Fitch" means Fitch Ratings, and its successors and assigns.

"Fund" means any Fund designated and created pursuant to Section 401 of the Indenture.

"Governmental Authority" means the United States of America, the State, any political subdivision thereof, any other state and any agency, department, commission, board, bureau or instrumentality of any of them.

"Gross Proceeds" means one hundred percent (100%) of the proceeds of the transaction with respect to which such term is used, including, but not limited to, the settlement of any insurance claim or Condemnation award.

"Holder" or "holder", when used with respect to a Bond, means Bondholder.

"Immediate Notice" means same-day notice by telephone, telecopy or telex, followed by prompt written confirmation sent by overnight delivery.

"Indebtedness" means (A) the payment of the Debt Service Payments on the Bonds according to their tenor and effect, (B) all other payments due from the Corporation or the Issuer to the Trustee pursuant to any Financing Document, (C) the performance and observance by the Issuer and the Corporation of all of the covenants, agreements, representations and warranties made for the benefit of the Trustee pursuant to any Financing Document, (D) the monetary obligations of the Corporation to the Issuer and its members, directors, officers, agents, servants and employees under the Loan Agreement and the other Financing Documents, and (E) all interest accruing on any of the foregoing.

"Indemnified Parties" shall mean the Trustee, the Issuer, the Underwriter and the payee and holder of any Initial Bond.

"Indenture" means the trust indenture dated as of March 1, 2016 by and between the Issuer and the Trustee, as said trust indenture may be amended or supplemented from time to time.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and not a full-time employee of the Corporation or the Issuer.

"Indirect Participant" means a Person utilizing the Book Entry System of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

"Inducement Date" means (A), with respect to the Initial Project, the date which is sixty (60) days prior to the earlier of (1) February 3, 2016 or (2) the date on which the Corporation declared its official intent to reimburse expenditures made with respect to the Initial Project with proceeds of borrowed money, and (B), with respect to any Additional Project, the date which is sixty (60) days prior to the earlier of (1) the date on which the Issuer adopts an inducement resolution with respect to such Additional Project or (2) the date on which the Corporation declares its official intent to reimburse expenditures made with respect to such Additional Project with proceeds of borrowed money.

"Information Return" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Initial Bond Purchase Agreement" means the bond purchase agreement dated March 15, 2016 by and among the Underwriter, the Issuer and the Corporation relating to the purchase of the Initial Bonds by the Underwriter, as said bond purchase agreement may be amended or supplemented from time to time.

"Initial Bond Resolution" means the resolution of the members of the board of directors of the Issuer duly adopted on March 3, 2016 authorizing the Issuer to undertake the Initial Project, to issue and sell the Initial Bonds and to execute and deliver the Initial Financing Documents to which the Issuer is a party.

"Initial Bonds" or "Series 2016 Bonds" means the Issuer's tax-exempt Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project) in the aggregate principal amount of $283,580,000 issued pursuant to the Initial Bond Resolution and Article II of the Indenture and sold to the Underwriter pursuant to the provisions of the Initial Bond Purchase Agreement, in substantially the form attached to the Indenture as Schedule I thereto, and any Initial Bonds issued in exchange or substitution therefor."

"Initial Continuing Disclosure Agreement" means the continuing disclosure agreement dated as of March 1, 2016 by and between the Corporation and the Trustee relating to the Initial Bonds, as said continuing disclosure agreement may be amended or supplemented from time to time.

"Initial Depository Letter" means the Blanket Letter of Representations by and among the Issuer, the Trustee and the Depository relating to the Initial Bonds, and any amendments or supplements thereto entered into with respect thereto, and any amendments or supplements thereto entered into with respect thereto.

"Initial Equipment" means all materials, machinery, equipment, fixtures or furnishings acquired or intended to be acquired with the proceeds of the Initial Bonds, or acquired with any payment which the Corporation incurred in anticipation of the issuance of the Initial Bonds and for which the Corporation is or will be reimbursed from the proceeds of the Initial Bonds, and such substitutions and replacements therefor and additions thereto as may be made from time to time pursuant to the Loan Agreement, including, without limitation, all of the Property described in Exhibit B attached to the Loan Agreement.

"Initial Facility" means all buildings (or portions thereof), improvements, structures and other related facilities, and improvements thereto, (A) located on the Campus, (B) financed or refinanced with the proceeds of the sale of the Initial Bonds or any payment which the Corporation incurred in anticipation of the issuance of the Initial Bonds and for which the Corporation is or will be reimbursed from the proceeds of the Initial Bonds or any payment made by the Corporation pursuant to Section 4.5 of the Loan Agreement, and (C) not constituting a part of the Initial Equipment, all as they may exist from time to time.

"Initial Financing Documents" means the Initial Bonds, the Indenture, the Loan Agreement, the Master Trust Indenture and any Supplement to the Master Trust Indenture, the Initial Tax Certificate, the Initial Underwriter Documents and any other document now or hereafter executed by the Issuer or the Corporation in favor of the Holders of the Initial Bonds or the Trustee which affects the rights of the Holders of the Initial Bonds or the Trustee in or to the Initial Project Facility, in whole or in part, or which secures or guarantees any sum due under the Initial Bonds or any other Initial Financing Document, each as amended from time to time, and all documents related thereto and executed in connection therewith.

"Initial Official Statement" means the official statement delivered in connection with the sale of the Initial Bonds by the Underwriter.

"Initial Preliminary Official Statement" means the preliminary official statement delivered in connection with the sale of the Initial Bonds by the Underwriter.

"Initial Project" shall have the meaning assigned to such term in the recitals to the Indenture and the Loan Agreement.

"Initial Project Facility" means, collectively, the Initial Land, the Initial Facility and the Initial Equipment.

"Initial Tax Certificate" shall mean that certain Tax Certificate as to Arbitrage and Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 delivered by Issuer and the Corporation.

"Initial Underwriter Documents" means the Initial Bond Purchase Agreement, the Initial Continuing Disclosure Agreement, the Initial Preliminary Official Statement, the Initial Official Statement and any other document now or hereafter executed by the Issuer or the Corporation in connection with the sale of the Initial Bonds by the Underwriter.

"Interest Payment Date" means (A) with respect to the Initial Bonds, May 1 and November 1 of each year, commencing November 1, 2016, and (B) with respect to any Additional Bonds, the Stated Maturity of each installment of interest on such Additional Bonds, as set forth in the supplemental Indenture authorizing the issuance of such series of Additional Bonds. In any case, the final Interest Payment Date of any series of the Bonds shall be the Maturity Date relating thereto.

"Issuer" means (A) Westchester County Local Development Corporation and its successors and assigns, and (B) any public instrumentality or political subdivision resulting from or surviving any consolidation or merger to which Westchester County Local Development Corporation or its successors or assigns may be a party.

"Land" means the Initial Land and any Additional Land.

"Lien" means any interest in Property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, security agreement, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics', materialmen's, warehousemen's and carriers' liens and other similar encumbrances affecting real property. For purposes hereof, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Lien Law" means the Lien Law of the State of New York.

"Loan" shall mean the loan made by the Issuer to the Corporation pursuant to the Loan Agreement.

"Loan Agreement" means the Loan Agreement dated as of March 1, 2016 by and between the Issuer and the Corporation, as said Loan Agreement may be amended or supplemented from time to time.

"Loan Payments" means the amounts required to be paid by the Corporation pursuant to the provisions of Section 5.1 of the Loan Agreement.

"Master Indenture" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Master Trust Indenture" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Master Trustee" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Maturity Date" means, with respect to any Bond, the final Stated Maturity of the principal of such Bond.

"Member" shall have the meaning given in the first paragraph of the Loan Agreement.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns.

"MTI Supplement" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Net Proceeds" means so much of the Gross Proceeds with respect to which that term is used as remain after payment of all fees for services, expenses, costs and taxes (including attorneys' fees) incurred in obtaining such Gross Proceeds.

"Obligations" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Office of the Trustee" means the corporate trust office of the Trustee specified in Section 1103 of the Indenture, or such other address as the Trustee shall designate pursuant to Section 1103 of the Indenture.

"Official Statement" means (A), with respect to the Initial Bonds, the Initial Official Statement, and (B) with respect to any series of Additional Bonds, any similar document approved by the Issuer and the Corporation in connection with the sale by the Underwriter of the related series of Additional Bonds.

"Optional Redemption Premium" means the premium payable upon an optional redemption of the Bonds, as determined pursuant to Section 301(A) of the Indenture.

"Ordinary Services" and "Ordinary Expenses" means those reasonable services normally rendered with those reasonable expenses, including reasonable attorneys' fees, normally incurred by a trustee or a paying agent, as the case may be, under instruments similar to the Indenture.

"Outstanding" means, when used with reference to the Bonds as of any date, all Bonds which have been duly authenticated and delivered by the Trustee under the Indenture, except:

(A) Bonds theretofore canceled or deemed canceled by the Trustee or theretofore delivered to the Trustee for cancellation;

(B) Bonds for the payment or redemption of which moneys or Defeasance Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or Redemption Date of any such Bonds) in accordance with the Indenture (whether upon or prior to the maturity or Redemption Date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form and substance to the Trustee shall have been filed with the Trustee; and

(C) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered under the Indenture.

If the Indenture shall be discharged pursuant to Article X thereof, no Bonds shall be deemed to be Outstanding within the meaning of this provision.

"Owner" or "owner", when used with respect to a Bond, means the Registered Owner of such Bond, except that wherever appropriate the term "Owner" shall mean the owner of such Bond for federal income tax purposes.

"Participant" shall have the meaning assigned to such term in Section 213(B) of the Indenture.

"Paying Agent" means the Trustee, acting as such, and any additional paying agent for the Bonds appointed pursuant to Article VII of the Indenture, their respective successors and any other corporation that may at any time be substituted in their respective places pursuant to the Indenture.

"Permitted Encumbrances" means (A) utility, access and other easements, rights of way, restrictions, encroachments and exceptions that benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B) mechanics', materialmen's, warehousemen's, carriers' and other similar Liens, (C) Liens for taxes, assessments and utility charges (1) to the extent permitted by Section 6.2(B) of the Loan Agreement, or (2) at the time not delinquent, (D) any Lien on the Project Facility obtained through any Financing Document, (E) any Lien on the Project Facility in favor of the Trustee, (F) any Lien on the Project Facility approved or granted by the Corporation, and (G) any Permitted Lien under the Master Indenture.

"Permitted Liens" shall have the meaning set forth in the Master Indenture.

"Person" means an individual, partnership, corporation, limited liability company, trust, unincorporated organization or Governmental Authority.

"Plans and Specifications" means: (A) with respect to the Initial Project, the description of the Initial Project Facility appearing in the fourth recital clause to the Indenture and the Loan Agreement; and (B) with respect to any Additional Project, (1) as to the Issuer, the description of such Additional Project appearing in the Issuer's preliminary inducement resolution relating thereto, and (2) as to the Trustee, the plans and specifications for such Additional Project prepared by the Corporation, and all amendments and modifications thereof made by approved change orders; and, if an item for the construction of the Additional Facility is not specifically detailed in the aforementioned plans and specifications, but rather is

described by way of manufacturer's or supplier's or contractor's shop drawings, catalog references or similar descriptions, the term also includes such shop drawings, catalog references and descriptions.

"Predecessor Bonds" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this definition, any Bond authenticated and delivered under Section 205 of the Indenture in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

"Preliminary Official Statement" means (A), with respect to the Initial Bonds, the Initial Preliminary Official Statement, and (B) with respect to any series of Additional Bonds, any similar document approved by the Issuer and the Corporation for use in connection with the issuance of the related series of Additional Bonds.

"Principal Payment Date" means (A) with respect to the Initial Bonds, each Interest Payment Date on which a Sinking Fund Payment is due on the Bonds, and the Maturity Date of each of the Initial Bonds, and (B) with respect to any Additional Bonds, the Stated Maturity of each installment of principal due on such Additional Bonds.

"Prior Trustee" shall mean U.S. Bank National Trustee, as trustee for the Refunded Bonds.

"Project" means (A), with respect to the Initial Bonds, the Initial Project, and (B), with respect to any series of Additional Bonds, the Additional Project with respect to which such series of Additional Bonds were issued.

"Project Facility" means, collectively, the Initial Project Facility and all Additional Project Facilities.

"Project Fund" means the fund so designated established pursuant to Section 401(A)(1) of the Indenture.

"Project Period" means with respect to the Initial Project or any Additional Project, as the case may be, the period (A) beginning on the Inducement Date relating thereto and (B) ending on the Completion Date relating thereto.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Rating Agency" means Moody's, if the Bonds are rated by Moody's at the time, and Fitch, if the Bonds are rated by Fitch at the time, and their successors and assigns.

"Rebate Amount" shall have the meaning assigned to such term in the Tax Certificate.

"Rebate Fund" means the fund so designated established pursuant to Section 401(A)(3) of the Indenture.

"Record Date" means either a Regular Record Date or a Special Record Date.

"Redemption Date" means, when used with respect to a Bond, the date upon which a Bond is scheduled to be redeemed pursuant to the Indenture.

"Redemption Price" means, when used with respect to a Bond, the principal amount thereof plus the applicable premium, if any, payable upon the prior redemption thereof pursuant to the provisions of the Indenture and such Bond.

"Refunded Bonds" shall mean the portion of the Corporation's Series 2010B Bonds and Series 2010C-2 Bonds to be refunded with a portion of the proceeds of the Series 2016 Bonds.

"Regular Record Date" means, with respect to the interest and any Sinking Fund Payment or principal payment due on the Bonds on or prior to maturity payable on any Bond on any Interest Payment Date, the fifteenth (15th) day (whether or not a Business Day) of the calendar month preceding the calendar month in which such Interest Payment Date occurs.

"Request for Disbursement" means a request from the Corporation, as agent of the Issuer, signed by an Authorized Representative of the Corporation, stating the amount of the disbursement sought and containing the statements, representations and other items required by Article IV of the Indenture and by Section 4.3 of the Loan Agreement.

"Requirement" or "Local Requirement" means any law, ordinance, order, rule or regulation of a Governmental Authority.

"Securities Laws" means the Securities Act of 1933, as amended, and all other securities laws of the United States of America or the State to the extent that such laws may now or hereafter be applicable to or affect the issuance, sale and delivery of the Bonds and any transfer or resale thereof.

"SEQRA" means Article 8 of the Environmental Conservation Law of the State and the statewide and local regulations thereunder.

"Series 2016 Obligation" or "2016 Obligation" shall have the meaning given in the recitals to the Indenture and the Loan Agreement.

"Series 2016 Project Account" means the account so designated within the Project Fund established pursuant to Section 401(A)(1)(a) of the Indenture.

"Sinking Fund Payments" means (A) with respect to the Initial Bonds, the sinking fund redemption payments due on the Initial Bonds pursuant to Section 301(B) of the Indenture and (B) with respect to any Additional Bonds, the sinking fund redemption payments (if any) required pursuant to the supplemental Indenture authorizing issuance of such Additional Bonds.

"Special Record Date" means a date for the payment of any Defaulted Interest on the Bonds fixed by the Trustee pursuant to Section 207(C) of the Indenture.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns.

"State" means the State of New York.

"Stated Maturity" means, when used with respect to any Bond or any installment of interest thereon, the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest on such Bond is due and payable.

"Supplemental Indenture" means any indenture supplemental to or amendatory of the Indenture executed by the Issuer in accordance with Article VIII of the Indenture.

"Tax Certificate" means, collectively, (A) with respect to the Initial Bonds, the Initial Tax Certificate and (B) with respect to any series of Additional Bonds intended to be issued as Tax-Exempt Bonds, any similar documents executed by the Issuer and/or the Corporation in connection with the issuance and sale of such series of Additional Bonds.

"Tax-Exempt Bond" means any Bond issued as an obligation of the Issuer, the interest on which is intended to be excluded from the gross income of the Holder thereof for federal income tax purposes pursuant to Section 103 and Sections 141-145 of the Code, including but not limited to the Initial Bonds.

"Term Bonds" means Bonds having a single stated maturity for which Sinking Fund Installments are specified in the Indenture (or, if such Bonds are Additional Bonds, in the supplemental indenture authorizing the issuance of such Bonds).

"Trust Estate" means all Property which may from time to time be subject to a Lien in favor of the Trustee created by the Indenture or any other Financing Document.

"Trust Revenues" means (A) all payments of loan payments made or to be made by or on behalf of the Corporation under the Loan Agreement (except payments made with respect to the Unassigned Rights), (B) all other amounts pledged to the Trustee by the Issuer or the Corporation to secure the Bonds or performance of their respective obligations under the Loan Agreement and the Indenture, (C) moneys and investments held from time to time in each fund and account established under the Indenture and all investment income thereon, except (1) moneys and investments held in the Rebate Fund, (2) moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and (3) as specifically otherwise provided, (D) all payments of made or to be made by or on behalf of the Corporation under the Obligations, and (E) all other moneys received or held by the Trustee for the benefit of the Bondholders pursuant to the Indenture. Notwithstanding anything to the contrary, amounts held in the Rebate Fund shall not be considered Trust Revenues and shall not be subject to the Lien of the Indenture, and amounts held therein shall not secure any amount payable on the Bonds.

"Trustee" means U.S. Bank National Association, a national banking association, or any successor trustee or co-trustee acting as trustee under the Indenture.

"Unassigned Rights" means (A) the rights of the Issuer granted pursuant to Sections 2.2, 3.1, 4.1, 5.1(B)(2), 5.2(B), 6.1, 6.2, 6.3, 7.1, 7.2, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 9.1, 9.3, 11.1, 11.4, 11.8 and 11.10 of the Loan Agreement, (B) the moneys due and to become due to the Issuer for its own account or the members, directors, officers, agents (other than the Corporation), servants and employees of the Issuer for their own account pursuant to Sections 2.1(D), 5.1(B)(2), 5.1(C), 8.2, 10.2 and 10.4 of the Loan Agreement, and (C) the right to enforce the foregoing pursuant to Article X of the Loan Agreement. Notwithstanding the preceding sentence, to the extent the obligations of the Corporation under the Sections of the Loan Agreement listed in (A), (B) and (C) above do not relate to the payment of moneys to the Issuer for its own account or to the members, officers, directors, agents (other than the Corporation), servants and employees of the Issuer for their own account, such obligations, upon assignment of the Loan Agreement by the Issuer to the Trustee pursuant to the Indenture, shall be deemed to and shall constitute obligations of the Corporation to the Issuer and the Trustee, jointly and severally, and either the Issuer or the Trustee may commence an action to enforce the Corporation's obligations under the Loan Agreement.

"Underwriter" means (A), with respect to the Initial Bonds, Wells Fargo Bank, National Association, on behalf of itself and as representative of the other underwriters for the Initial Bonds, as original purchasers of the Initial Bonds on the Closing Date relating thereto, and (B), with respect to any series of Additional Bonds, the original purchaser of such series of Additional Bonds on the Closing Date relating thereto.

"Underwriter Documents" means, collectively, (A) with respect to the Initial Bonds, the Initial Underwriter Documents and (B) with respect to any Additional Bonds, any similar documents executed by the Issuer and/or the Corporation in connection with the issuance of such Additional Bonds.

"Yield", when used with respect to the Initial Bonds, shall have the meaning assigned to such term in the Initial Tax Certificate.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

Reference is made to the Loan Agreement for complete details of the terms thereof. The following is a brief summary of certain provisions of the Loan Agreement and should not be considered a full statement thereof.

Representations, Warranties and Covenants of the Issuer *(Section 2.1)*

The Issuer will make the following representations, warranties and covenants, among others:

(A) The Issuer is duly established under the provisions of the Enabling Act and has the power to enter into the Loan Agreement and to carry out the obligations thereunder. By proper official action, the Issuer has been duly authorized to execute, deliver and perform the Loan Agreement and the other Financing Documents to which the Issuer is a party.

(B) Neither the execution and delivery of the Loan Agreement, the consummation of the transactions contemplated thereby nor the fulfillment of or compliance with the provisions of the other Financing Documents by the Issuer will conflict with or result in a breach by the Issuer of any of the terms, conditions or provisions of the Enabling Act, the certificate of incorporation or by-laws of the Issuer or any order, judgment, restriction, agreement or instrument to which the Issuer is a party or by which the Issuer is bound, or will constitute a default by the Issuer under any of the foregoing.

(C) To assist in financing a portion of the Cost of the Project related to the Initial Project, the Issuer will issue and sell the Initial Bonds and loan the proceeds of the Initial Bonds to the Corporation pursuant to the Loan Agreement. In no event will the Issuer issue and sell additional obligations to pay the Cost of the Project if the issuance and sale of such further obligations would cause interest on the Initial Bonds to be or become subject to federal income taxation under the Code.

(D) The Issuer shall cooperate with the Corporation in the filing by the Corporation of such returns and other information with the Internal Revenue Service as the Trustee or the Corporation requests in writing and which Bond Counsel advises the Issuer in writing is necessary to preserve the tax-exempt status of the interest payable on the Initial Bonds, provided the Corporation shall bear all costs of preparing, gathering and/or filing such returns and other information. In addition, the Issuer, at the request of the Corporation, shall cooperate with the Corporation in the filing by the Corporation, as agent of the Issuer, of such returns and other information with the State and Westchester County, New York.

(E) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Issuer is a bond issuer whose arbitrage certifications may not be relied upon.

(F) Subject to the limitations contained in Section 11.10 of the Loan Agreement, so long as the Bonds shall be Outstanding, the Issuer will not take any action (or omit to take any action required by the Financing Documents or which the Trustee or the Corporation, together with Bond Counsel, advise the Issuer in writing should be taken) or allow any action to be taken, which action (or omission) would in any way cause (1) the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Financing Documents, or (2) adversely affect the exclusion of the interest paid or payable on any Tax- Exempt Bond from gross income for federal income tax purposes. Notwithstanding the foregoing, there shall be no such obligation upon the Issuer with respect to the use or investment of its administrative fee, provided, however, that if the Corporation is required to rebate any amount with respect to such administrative fee, the Issuer shall provide, upon the reasonable request of the Corporation, such information concerning the investment of such administrative fee as shall be requested by the Corporation and as shall be reasonably available to the Issuer.

Representations and Covenants of the Corporation *(Section 2.2)*

The Corporation makes the following representations and covenants, among others:

(A) The Corporation is a New York public benefit corporation, is duly authorized to do business in the State of New York, has the power to enter into the Loan Agreement and the other Financing Documents to which the Corporation is a party and to carry out its obligations under the Loan Agreement and thereunder, has been duly authorized to execute the Loan Agreement and the other Financing Documents to which the Corporation is a party, and is qualified to do business in all jurisdictions in which its operations or ownership of Property so requires. The Loan Agreement and the other Financing Documents to which the Corporation is a party, and the transactions contemplated by the Loan Agreement and thereby, have been duly authorized by all necessary action on the part of the board of directors of the Corporation.

(B) Neither the execution and delivery of the Loan Agreement or the other Financing Documents to which the Corporation is a party, the consummation of the transactions contemplated thereby and thereby nor the fulfillment of or compliance with the provisions of the Loan Agreement or the other Financing Documents to which the Corporation is a party will (1) conflict with or result in a breach of or a default under any of the terms, conditions or provisions of the Westchester County Health Care Corporation Act, Chapter 11 of the Consolidated Laws of the State, 1997 (Title 1 of Article 10-C Public Authorities Law section 3301 et seq.) or by-laws of the Corporation or any other corporate restriction or any order, judgment, agreement or instrument to which the Corporation is a party or by which the Corporation is bound, or constitute a default under any of the foregoing, or (2) result in the creation or imposition of any Lien of any nature upon any Property of the Corporation other than pursuant to the Financing Documents and the Permitted Encumbrances, or (3) require consent (which has not been theretofore received) under any corporate restriction or any order, judgment, agreement or instrument to which the Corporation is a party or by which the Corporation or any of its Property may be bound or affected, or (4) require consent under (which has not been theretofore received), conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court (domestic or foreign) having jurisdiction over the Corporation or any of the Property of the Corporation.

(C) The Financing Documents to which the Corporation is a party constitute, or upon their execution and delivery in accordance with the terms thereof will constitute, valid and legally binding obligations of the Corporation, enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency, and equitable powers of a court of proper jurisdiction.

(D) The Corporation will not take any action (or omit to take any action required by the Financing Documents or which the Trustee or the Issuer, together with Bond Counsel, advise the Corporation in writing should be taken), or allow any action to be taken, which action (or omission) would in any way (1) adversely affect the exclusion of the interest paid or payable on the Tax-Exempt Bonds from gross income for federal income tax purposes, or (2) cause the proceeds of the Bonds to be applied in a manner contrary to that provided in the Financing Documents.

(E) The Corporation will comply with all of the terms, conditions and provisions of the Tax Certificate.

(F) All of the proceeds of the Initial Bonds shall be used to pay a portion of the costs of the Initial Project, and the total cost of the Initial Project is expected to at least equal $283,580,000.

(G) All proceeds of the Initial Bonds shall be used to pay the Cost of the Project related to the Initial Project, and the total Cost of the Project, including all costs related to the issuance of the Bonds, shall not be less than the total Bond Proceeds advanced by the Trustee under the Indenture.

Covenant with Trustee and the Bondholders *(Section 2.3)*

The Issuer and the Corporation agree that the Loan Agreement is executed in part to induce the purchase of the Bonds by the Holders and Beneficial Owners from time to time of the Bonds. Accordingly, all representations, covenants and agreements on the part of the Issuer and the Corporation set forth in the Loan Agreement (other than the Unassigned Rights) are by the Loan Agreement declared to be for the benefit of the Issuer, the Trustee and the Holders and Beneficial Owners from time to time of the Bonds.

Construction and Installation of the Project Facility *(Section 4.1)*

The Corporation shall promptly construct and install the Project Facility, or cause the construction and installation of the Project Facility.

The Corporation has given or will give or cause to be given all notices and has complied or will comply or cause compliance in all material respects with all Applicable Laws, and the Corporation will defend, indemnify and save the Issuer and the Trustee and their respective members, directors, officers, agents, servants and employees harmless from all fines and penalties due to failure to comply therewith. All permits and licenses necessary for the prosecution of work on the Project Facility shall be procured promptly by the Corporation.

Application of Proceeds of the Initial Bonds *(Section 4.3)*

The proceeds of the sale of the Initial Bonds will be deposited by the Issuer with the Trustee as provided in the Indenture. A portion of the proceeds shall be disbursed for application to the payment of

the Prior Bonds and costs of issuance of the Initial Bonds upon written Request for Disbursement of the Corporation. The remaining proceeds shall be disbursed by the Trustee to Master Trustee for deposit to the Construction Fund under the Master Indenture to pay for costs of the Initial Project.

Completion of the Project Facility *(Section 4.4)*

The Corporation will proceed with due diligence to commence and complete the construction and installation of the Project Facility.

Completion by the Corporation *(Section 4.5)*

In the event that the proceeds of the Bonds are not sufficient to pay in full all costs of reconstructing and installing the Project Facility, the Corporation agrees, for the benefit of the Issuer, to complete such construction and installation and to pay all such sums as may be in excess of the moneys available therefor in the Construction Fund of the Master Indenture.

No payment by the Corporation pursuant to this provision shall entitle the Corporation to any reimbursement for any such expenditure from the Issuer or the Trustee or to any diminution or abatement of any amounts payable by the Corporation under the Loan Agreement or under any other Financing Document.

Loan Payments and other Amounts Payable *(Section 5.1)*

The Corporation shall pay loan payments for the Project Facility as follows: on or before each Bond Payment Date, the Corporation shall make available moneys to the Trustee for deposit into the Bond Fund, in an amount which, when added to any amounts then held in the Bond Fund, shall equal the amount payable as principal, interest and premium, if any, or a Sinking Fund Payment, on the Bonds on such Bond Payment Date.

The Corporation shall pay as additional loan payments under the Loan Agreement any premium when due on the Bonds and the following:

(1) Within thirty (30) days after receipt of a demand therefor from the Trustee, the Corporation shall pay to the Trustee the following amounts: (a) the reasonable fees, costs and expenses of the Trustee for performing the obligations of the Trustee under the Indenture and the other Financing Documents; (b) the sum of the expenses of the Trustee reasonably incurred in performing the obligations of (i) the Corporation under the Loan Agreement, or (ii) the Issuer under the Bonds, the Indenture or the Loan Agreement; and (c) the Trustee's reasonable attorneys' fees incurred in connection with the foregoing and other moneys due the Trustee pursuant to the provisions of any of the Financing Documents.

(2) (a) On the Closing Date, the Corporation shall pay to the Issuer, as the initial basic loan payment due under the Loan Agreement, (i) a single lump sum basic loan payment representing the Issuer's administration fee for the issuance of the Initial Bonds; plus (ii) an additional lump sum basic loan payment in an amount equal to the fees and expenses of the Issuer's counsel and Bond Counsel to the Issuer relating to the Project.

(b) Within thirty (30) days after receipt of a demand therefor from the Issuer, the Corporation shall pay to the Issuer the sum of the reasonable expenses (including, without limitation, reasonable attorney's fees and expenses) of the Issuer and the members, directors, officers, agents, servants and employees thereof incurred by reason

of the Issuer's ownership, financing or sale of the Project Facility or in connection with the carrying out of the Issuer's duties and obligations under the Loan Agreement or any of the other Financing Documents, and any other fee or expense of the Issuer with respect to the Project Facility, the sale of the Project Facility to the Corporation, the Bonds or any of the other Financing Documents, the payment of which is not otherwise provided for under the Loan Agreement.

The Corporation agrees to make the above-mentioned payments, without any further notice, in lawful money of the United States of America as, at the time of payment, shall be legal tender for the payment of public and private debts. In the event the Corporation shall fail to make any payment required by this provision for a period of more than ten (10) days from the date such payment is due, the Corporation shall pay the same, together with interest thereon, at the Default Interest Rate, from the date on which such payment was due until the date on which such payment is made.

Nature of Obligations of Corporation under the Loan Agreement *(Section 5.2)*

The obligations of the Corporation to make the payments required by the Loan Agreement and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement shall be general obligations of the Corporation and not of any member of the Corporation's board of directors, nor of any officer, employee or agent of the Corporation in his or her individual capacity, and shall be absolute and unconditional irrespective of any defense or any right of set-off, recoupment, counterclaim or abatement that the Corporation may otherwise have against the Issuer or the Trustee. The Corporation agrees that it will not suspend, discontinue or abate any payment required by, or fail to observe any of its other covenants or agreements contained in, the Loan Agreement, or terminate the Loan Agreement for any cause whatsoever, including, without limiting the generality of the foregoing, failure to complete the Project Facility, any defect in the title, design, operation, merchantability, fitness or condition of the Project Facility or any part thereof or in the suitability of the Project Facility or any part thereof for the Corporation's purposes or needs, failure of consideration for, destruction of or damage to, Condemnation of title to or the use of all or any part of the Project Facility, any change in the tax or other laws of the United States of America or of the State or any political subdivision thereof, or any failure of the Issuer to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with the Loan Agreement.

Nothing contained in this provision shall be construed to release the Issuer from the performance of any of the agreements on its part contained in the Loan Agreement, and, in the event the Issuer should fail to perform any such agreement, the Corporation may institute such action against the Issuer as the Corporation may deem necessary to compel performance or recover damages for non-performance (subject to the provisions of Section 11.10 of the Loan Agreement); provided, however, that the Corporation shall look solely to the Issuer's estate and interest in the Project Facility for the satisfaction of any right or remedy of the Corporation for the collection of a judgment (or other judicial process) requiring the payment of money by the Issuer in the event of any liability on the part of the Issuer, and no other Property or assets of the Issuer or of the members, directors officers, agents (other than the Corporation), servants or employees of the Issuer shall be subject to levy, execution, attachment or other enforcement procedure for the satisfaction of the Corporation's remedies under or with respect to the Loan Agreement, the relationship of the Issuer and the Corporation under the Loan Agreement or the Corporation's title to the Project Facility, or any other liability of the Issuer to the Corporation.

Prepayment of Loan Payments *(Section 5.3)*

At any time that the Bonds are subject to the redemption under Section 301(A) of the Indenture, the Corporation may, at its option, prepay, in whole or in part, the loan payments payable under the Loan

Agreement by causing there to be moneys in an amount equal to the Redemption Price of the Bonds being redeemed on deposit with the Trustee on or prior to the date such moneys are to be applied to the redemption of such Bonds under Section 301 of the Indenture.

The Corporation shall exercise its option to make such advance loan payments by delivering a written notice of an Authorized Representative of the Corporation to the Trustee, with a copy to the Issuer, setting forth (i) the amount of the advance loan payment, (ii) the principal amount of Bonds Outstanding requested to be redeemed with such advance loan payment (which principal amount shall be in such minimum amount or integral Authorized Denomination as shall be permitted in the Indenture), and (iii) the date on which such principal amount of Bonds are to be redeemed (which date shall be not earlier than forty-five (45) days after the date of such notice).

Insurance Required *(Section 6.1)*

So long as any Bond is Outstanding and/or during the term of the Loan Agreement, the Corporation shall maintain insurance with respect to the Project Facility in accordance with the insurance requirements set forth in the Master Indenture, including, but not necessarily limited to, insurance protecting the Corporation, the Issuer and the Trustee against loss or losses from liabilities imposed by law or assumed in any written contract and arising from personal injury or death or damage to the Property of others caused by any accident or occurrence in accordance with the insurance requirements set forth in the Master Indenture. THE ISSUER DOES NOT IN ANY WAY REPRESENT THAT THE INSURANCE SPECIFIED IN THE LOAN AGREEMENT, WHETHER IN SCOPE OR IN LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE CORPORATION'S BUSINESS OR INTERESTS.

Additional Provisions Respecting Insurance *(Section 6.2)*

Except as otherwise provided in the Loan Agreement, all liability policies of insurance required by Section 6.1 of the Loan Agreement shall name the Corporation and the Issuer as insureds, as their interests may appear, and provide for at least thirty (30) days' written notice to the Corporation, the Issuer and the Trustee prior to cancellation, lapse, reduction in policy limits or material change in coverage thereof. At least thirty (30) days prior to the expiration of any such policy, the Corporation shall furnish to the Issuer and the Trustee evidence that the policy has been renewed or replaced or is no longer required by the Loan Agreement.

All premiums with respect to the insurance required by Section 6.1 under the Loan Agreement shall be paid by the Corporation. If at any time the Issuer is not in receipt of written evidence that all insurance required thereunder is in force and effect, the Issuer shall have the right without notice to the Corporation to take such action as the Issuer deems necessary to protect its interest in the Project Facility, including, without limitation, the obtaining of such insurance coverage as the Issuer in its sole discretion deem appropriate, and all expenses incurred by the Issuer in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by the Corporation to the Issuer, upon demand, together with interest thereon at the Default Interest Rate.

The provisions of subsection 4 of Section 254 of the Real Property Law of the State covering the insurance of buildings against loss by fire shall not apply to the Loan Agreement.

Unless otherwise explicitly provided, no provision of Section 6.1 of the Loan Agreement shall be construed to prevent the Corporation from self-insuring against any risks or any portion of any risks; provided however that the Corporation shall (1) provide adequate funding of such self-insurance in an

amount customary in the industry and (2) if requested by the Trustee, deliver an actuarial report for each self-insurance fund within ninety (90) days following the end of each fiscal year.

Application of Net Proceeds of Insurance *(Section 6.3)*

The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.1 of the Loan Agreement shall be applied pursuant to the terms of the Master Indenture.

Damage or Destruction *(Section 7.1)*

If the Project Facility shall be damaged or destroyed, in whole or in part: (1) the Issuer shall have no obligation to replace, repair, rebuild or restore the Project Facility; (2) there shall be no abatement or reduction in the amounts payable by the Corporation under the Loan Agreement or under any of the other Financing Documents (whether or not the Project Facility is replaced, repaired, rebuilt or restored); and (3) the obligations with respect to, and the proceeds of, any insurance award shall be applied pursuant to the Master Indenture.

Condemnation *(Section 7.2)*

To the knowledge of the Corporation, no condemnation or eminent domain proceeding has been commenced or threatened against any part of the Project Facility. The Corporation shall notify the Issuer and the Trustee of the Corporation of any condemnation proceedings and, within seven days after inquiry from the Issuer or the Trustee, inform the Issuer and the Trustee in writing of the status of such proceeding. If title to, or the use of, any or all of the Project Facility shall be taken by Condemnation: (1) the Issuer shall have no obligation to restore the Project Facility; (2) there shall be no abatement or reduction in the amounts payable by the Corporation under the Loan Agreement or under any of the other Financing Documents (whether or not the Project Facility is restored); and (3) the obligations with respect to, and the proceeds of, any condemnation award shall be applied pursuant to the Master Indenture.

Assignment of the Loan Agreement by the Corporation *(Section 9.1)*

The Loan Agreement may not be assigned by the Corporation, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld or delayed.

Pledge and Assignment of the Issuer's Interests to Trustee *(Section 9.2)*

The Issuer has, pursuant to the terms of the Indenture, pledged and assigned certain of its rights and interests under and pursuant to the Loan Agreement to the Trustee as security for the payment of the principal of, premium, if any, and interest on the Bonds. Such pledge and assignment shall in no way impair or diminish any obligations of the Issuer under the Loan Agreement. The Corporation thereby acknowledges receipt of notice of and consents to such pledge and assignment by the Issuer to the Trustee and specifically agrees to perform for the benefit of the Trustee all of its duties and undertakings under the Loan Agreement (except duties undertaken with respect to the Unassigned Rights).

Merger of the Issuer *(Section 9.3)*

Nothing contained in the Loan Agreement shall prevent the consolidation of the Issuer with, or merger of the Issuer into, or assignment by the Issuer of its rights and interests thereunder to, any other public instrumentality or political subdivision of the State or Westchester County, New York which has the legal authority to perform the obligations of the Issuer thereunder, provided that (1) the exclusion of the interest payable on the Tax-Exempt Bonds from gross income for Federal income tax purposes shall

not be adversely affect thereby; and (2) upon any such consolidation, merger or assignment, the due and punctual performance and observance of all of the agreements and conditions of the Loan Agreement, the Bonds and the Indenture to be kept and performed by the Issuer shall be expressly assumed in writing by the public instrumentality or political subdivision resulting from such consolidation or surviving such merger or to which the Issuer's rights and interests thereunder or under the Loan Agreement shall be assigned.

As of the date of any such consolidation, merger or assignment, the Issuer shall give notice thereof in reasonable detail to the Corporation and the Trustee. The Issuer shall promptly furnish to the Trustee and the Corporation such additional information or opinions with respect to any such consolidation, merger or assignment as the Trustee and the Corporation may reasonably request.

Events of Default Defined *(Section 10.1)*

Under the Loan Agreement, any one or more of the following events will constitute an "Event of Default":

(1) A default by the Corporation in the due and punctual payment of the amounts specified to be paid pursuant to Section 5.1(A) of the Loan Agreement.

(2) A default in the performance or observance of any other of the covenants, conditions or agreements on the part of the Corporation in the Loan Agreement and the continuance thereof for a period of thirty (30) days after written notice is given by the Issuer or the Trustee to the Corporation (with a copy to the Trustee, if given by the Issuer), or, if such covenant, condition or agreement is capable of cure but cannot be cured within such thirty (30) day period, the failure of the Corporation to commence to cure within such thirty (30) day period and to thereafter prosecute the same with due diligence.

(3) The occurrence of an "Event of Default" under any of the other Financing Documents.

(4) Any representation or warranty made by the Corporation therein or in any other Financing Document proves to have been materially false at the time it was made.

Notwithstanding the foregoing, if by reason of force majeure (as hereinafter defined) either party to the Loan Agreement shall be unable, in whole or in part, to carry out its obligations under the Loan Agreement and if such party shall give notice and full particulars of such force majeure in writing to the other party and to the Trustee within a reasonable time after the occurrence of the event or cause relied upon, the obligations under the Loan Agreement of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The suspension of such obligations for such period pursuant to this paragraph shall not be deemed an Event of Default under the Loan Agreement. Notwithstanding anything to the contrary in this paragraph, an event of force majeure shall not excuse, delay or in any way diminish the obligations of the Corporation to make certain payments required by the Loan Agreement, to obtain and continue in full force and effect the insurance required by the Loan Agreement, to provide the certain indemnity required by the Loan Agreement and to comply with certain other the provisions of the Loan Agreement. The term "force majeure" as used in the Loan Agreement shall include acts outside of the control of the Issuer and the Corporation, including but not limited to acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders of any kind of any Governmental Authority or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, and partial or entire failure of utilities. It is agreed that the settlement of strikes, lockouts

and other industrial disturbances shall be entirely within the discretion of the party having difficulty, and the party having difficulty shall not be required to settle any strike, lockout or other industrial disturbances by acceding to the demands of the opposing party or parties.

Notwithstanding any other provision of the Loan Agreement, failure of the Corporation to comply with Section 8.5(B) of the Loan Agreement provision regarding annual compliance certificates shall not be considered an Event of Default; however, the Trustee may (and, at the request of any underwriter or the Holders of at least 51% aggregate principal amount in Outstanding Bonds, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under Section 8.5(B) thereof.

Remedies on Default *(Section 10.2)*

Whenever any Event of Default shall have occurred, the Issuer and/or the Trustee may, to the extent permitted by law, take any one or more of the following remedial steps:

(1) declare, by written notice to the Corporation, to be immediately due and payable, whereupon the same shall become immediately due and payable, (a) all unpaid loan payments payable pursuant to the Loan Agreement, and (b) all other payments due under the Loan Agreement or any of the other Financing Documents;

(2) take any other action at law or in equity which may appear necessary or desirable to collect any amounts then due or thereafter to become due under the Loan Agreement and to enforce the obligations, agreements or covenants of the Corporation under the Loan Agreement

(3) terminate disbursement of the Bond Proceeds; or

(4) exercise any remedies available pursuant to any of the other Financing Documents.

Notwithstanding anything in the Loan Agreement to the contrary, whenever any Event of Default or Default shall have occurred, the Issuer may take any action at law or in equity which may appear necessary or desirable to collect any amounts then due or thereafter to become due thereunder and to enforce the obligations, agreements or covenants of the Corporation under the Loan Agreement.

Any sums paid to the Issuer as a consequence of any action taken pursuant to this provision (excepting sums payable to the Issuer as a consequence of action taken to enforce the Unassigned Rights) shall be paid to the Trustee and applied in accordance with the provisions of Section 609 of the Indenture (application of moneys).

No action taken pursuant to this provision shall relieve the Corporation from its obligations to make all payments required by the Loan Agreement and the other Financing Documents.

No Recourse; Special Obligation *(Section 11.10)*

The obligations and agreements of the Issuer contained in the Loan Agreement and in the other Financing Documents and any other instrument or document executed in connection therewith, and any other instrument or document supplemental thereto, shall be deemed the obligations and agreements of the Issuer, and not of any member, director, officer, agent (other than the Corporation), servant or employee of the Issuer in his individual capacity, and the members, directors, officers, agents (other than the Corporation), servants and employees of the Issuer shall not be liable personally on the Loan

Agreement or on such other documents or be subject to any personal liability or accountability based upon or in respect of the Loan Agreement or such other documents or of any transaction contemplated by the Loan Agreement or such other documents.

The obligations and agreements of the Issuer contained in the Loan Agreement and such other documents shall not constitute or give rise to an obligation of the State of New York or Westchester County, New York, and neither the State of New York nor Westchester County, New York shall be liable for such obligations and agreements, and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the Issuer, but rather shall constitute limited obligations of the Issuer payable solely from the revenues of the Issuer derived and to be derived from the sale or other disposition of the Project Facility (except for revenues derived by the Issuer with respect to the Unassigned Rights).

No order or decree of specific performance with respect to any of the obligations of the Issuer under the Loan Agreement shall be sought or enforced against the Issuer unless (1) the party seeking such order or decree shall first have requested the Issuer in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Issuer shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten days, shall have failed to institute and diligently pursue action to cause compliance with such request within such ten day period) or failed to respond within such notice period, (2) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Issuer an amount or undertaking sufficient to cover such reasonable fees and expenses, and (3) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it or any of its members, directors, officers, agents (other than the Corporation), servants or employees shall be subject to potential liability, the party seeking such order or decree shall (a) agree to indemnify, defend and hold harmless the Issuer and its members, directors, officers, agents (other than the Corporation), servants and employees against any liability incurred as a result of its compliance with such demand, and (b) if requested by the Issuer, furnish to the Issuer satisfactory security to protect the Issuer and its members, directors, officers, agents (other than the Corporation), servants and employees against all liability expected to be incurred as a result of compliance with such request. Any failure to provide the indemnity and/or security required in this paragraph shall not affect the full force and effect of an Event of Default under the Loan Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following summarizes certain provisions of the Indenture to which reference is made for the detailed provisions thereof. Certain provisions of the Indenture are also described in the Official Statement under the captions "INTRODUCTION", "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" and "THE SERIES 2016 BONDS".

The Bonds will be issued under and secured by the Indenture. Reference is made to the Indenture for complete details of the terms thereof. The following is a brief summary of certain provisions of the Indenture and should not be considered a full statement thereof.

Restriction on Issuance of Bonds *(Section 201)*

No Bonds may be authenticated and issued under the provisions of the Indenture except in accordance with the terms thereof.

Limited Obligations *(Section 202)*

The Bonds, together with the premium, if any, and the interest thereon, shall be limited obligations of the Issuer payable, with respect to the Issuer, solely from the Trust Revenues, which Trust Revenues are thereby pledged and assigned to the Trustee for the equal and ratable payment of all sums due under the Bonds, and shall be used for no other purpose than to pay the principal of, premium, if any, on and interest on the Bonds, except as may be otherwise expressly provided in the Indenture.

THE BONDS DO NOT CONSTITUTE AND SHALL NOT BE A DEBT OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION WESTCHESTER COUNTY, NEW YORK) AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION WESTCHESTER COUNTY, NEW YORK) SHALL BE LIABLE THEREON. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION WESTCHESTER COUNTY, NEW YORK).

No recourse shall be had for the payment of the principal of, or the premium, if any, or the interest on, any Bond or for any claim based thereon or on the Indenture against any past, present or future member, director, officer, agent (other than the Corporation), servant or employee, as such, of the Issuer or of any predecessor or successor corporation, either directly or through the Issuer or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise.

Delivery of Initial Bonds *(Section 210)*

Upon the execution and delivery of the Indenture, the Issuer shall execute and deliver the Initial Bonds to the Trustee, and the Trustee shall authenticate and deliver the Initial Bonds to the purchasers thereof against payment of the purchase price therefor, plus accrued interest to the day preceding the date of delivery, upon receipt by the Trustee of the following:

(A) a certified copy of the Initial Bond Resolution;

(B) executed counterparts of the Indenture, the Loan Agreement and the other Initial Financing Documents;

(C) a request and authorization to the Trustee on behalf of the Issuer signed by an Authorized Representative of the Issuer to deliver the Initial Bonds to or upon the order of the Underwriter upon payment to the Trustee for the account of the Issuer of the purchase price therefor specified in such request and authorization;

(D) signed copies of the opinions of counsel to the Issuer, the Corporation and the Trustee, and of Bond Counsel, as required by the Bond Purchase Agreement;

(E) the certificates and policies, if available, of the insurance required by the Loan Agreement;

(F) evidence that a completed Internal Revenue Service Form 8038 with respect to the Initial Bonds has been signed by the Issuer; and

(G) such other documents as the Trustee or Bond Counsel may reasonably require.

Additional Bonds *(Section 214)*

So long as the Loan Agreement is in effect and no Event of Default exists thereunder or under the Indenture (and no event exists which, upon notice or lapse of time or both, would become an Event of Default thereunder or under the Indenture), the Issuer may, upon a request from the Corporation complying with this provision, issue one or more series of Additional Bonds to provide funds to pay any one or more of the following: (1) costs of completion of the Project Facility in excess of the amount in the Project Fund; (2) costs of any Additional Project; (3) costs of refunding or advance refunding any or all of the Bonds previously issued; (4) costs of making any modifications, additions or improvements to the Project Facility that the Corporation may deem necessary or desirable; and/or (5) costs of the issuance and sale of the Additional Bonds, capitalized interest, funding debt service reserves, and other costs reasonably related to any of the foregoing. Additional Bonds may mature at different times, bear interest at different rates and otherwise vary from the Initial Bonds authorized under Section 209 of the Indenture, all as may be provided in the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Prior to the execution of a supplemental Indenture authorizing the issuance of Additional Bonds, the Issuer must deliver the following documents to the Trustee:

(1) an amendment to the Loan Agreement and the other Financing Documents and an obligation under the Master Indenture, providing for timely payment by the Corporation of payments in an amount at least equal to the sum of the total Debt Service Payments due on the Initial Bonds and all Additional Bonds and all other costs in connection with the Project Facility and all Additional Projects covered thereby;

(2) evidence that the Financing Documents, as amended or supplemented in connection with the issuance of the Additional Bonds, provide that (a) the Bonds referred to therein shall mean and include the Additional Bonds being issued as well as the Initial Bonds originally issued under the Indenture and any Additional Bonds theretofore issued, and (b) the Project Facility referred to in the Financing Documents includes any Additional Facilities being financed;

(3) a copy of the resolution of the board of trustees of the Corporation, duly certified by the secretary or assistant secretary of the Corporation, which approves the issuance of the Additional Bonds and authorizes the execution and delivery by the Corporation of the amendments to the Financing Documents described in paragraphs (1) and (2) above;

(4) a written opinion of counsel to the Corporation which shall state that the amendments and supplements to the Financing Documents described in paragraphs (1) and (2) above have been duly authorized, executed and delivered by the Corporation; that the Financing Documents, as amended and supplemented to the Closing Date for such Additional Bonds, constitute legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms, subject to the standard exceptions with respect to bankruptcy laws and other laws affecting credit rights generally, equitable remedies and specific performance, limitations on remedies of foreclosure with respect to licensed health care facilities, limitations on the ability of one charitable corporation to guarantee the indebtedness of the other charitable corporations, and similar customary exceptions; and that all conditions precedent provided for in the Indenture to the issuance, execution and delivery of the Additional Bonds have been complied with;

(5) a copy of the resolution of the members of the board of directors of the Issuer, duly certified by the secretary or assistant secretary of the Issuer, authorizing the issuance of the Additional Bonds and the execution and delivery by the Issuer of the amendments to the Financing Documents described in paragraph (1) and paragraph (2) above to be executed by the Issuer in connection therewith;

(6) an opinion of counsel to the Issuer stating that the amendments and supplements to the Financing Documents described above have been duly authorized and lawfully executed and delivered on behalf of the Issuer; and that such amendments and supplements to the Financing Documents are in full force and effect and are valid and binding upon the Issuer, subject to the standard exceptions with respect to bankruptcy laws, equitable remedies and specific performance;

(7) an opinion of Bond Counsel stating that, in the opinion of such Bond Counsel, the Issuer is duly authorized and entitled to issue such Additional Bonds and that, upon the execution, authentication and delivery thereof, such Additional Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Issuer, enforceable in accordance with their terms, subject to the standard exceptions with respect to bankruptcy laws, equitable remedies and specific performance; that the issuance of the Additional Bonds will not, in and of itself, adversely affect the validity of the Initial Bonds originally issued under the Indenture or any Additional Bonds theretofore issued or the exclusion of the interest payable on the Initial Bonds and any Additional Bonds theretofore issued as Tax-Exempt Bonds from the gross income of the Holders thereof for federal income tax purposes; and that all conditions precedent provided for in the Indenture to the issuance, execution and delivery of the Additional Bonds have been complied with;

(8) a written order to the Trustee executed by an Authorized Representative of the Issuer requesting that the Trustee authenticate and deliver the Additional Bonds to the purchasers therein identified; and

(9) such other documents as the Trustee may reasonably request.

Each series of Additional Bonds shall be equally and ratably secured under the Indenture with the Initial Bonds issued on the Closing Date and with all other series of Additional Bonds, if any, previously issued under the Indenture, without preference, priority or distinction of any Bond over any other Bond.

The consent of the Holders of the Bonds shall not be required prior to the issuance of Additional Bonds, or to the execution and delivery of any amendments to the Financing Documents required in connection therewith.

Establishment of Funds *(Section 401)*

The Issuer by the Indenture establishes and creates the following special separate trust funds: (1) Project Fund, and, within the Project Fund, the following special accounts: (a) the Series 2016 Project Account; and (b) an additional, separate account for each series of Additional Bonds, each such additional account to be known as the "Series _____ Project Account", with the blank to be filled in with the same series designation as borne by the related series of Additional Bonds; (2) Bond Fund, and within the Bond Fund, a special account to be known as the "Series 2016 Capitalized Interest Account"; and (3) Rebate Fund.

The funds created under the Indenture shall be maintained by the Trustee and shall be held in the custody of the Trustee. The Issuer authorizes and directs the Trustee to withdraw moneys from said funds for the purposes specified in the Indenture, which authorization and direction the Trustee thereby accepts. All moneys required to be deposited with or paid to the Trustee under any provision of the Indenture (1) shall be held by the Trustee in trust, and (2) (except for moneys held by the Trustee (a) for the redemption of Bonds, notice of redemption of which has been duly given, or (b) in the Rebate Fund) shall, while held by the Trustee, constitute part of the Trust Revenues and be subject to the Lien of the Indenture. Moneys which have been deposited with, paid to or received by the Trustee for the redemption of a portion of the Bonds or for the payment of Bonds or interest thereon due and payable otherwise than upon acceleration by declaration, shall be held in trust for and be subject to a Lien in favor of only the Holders of such Bonds so redeemed or so due and payable.

Moneys held in the Rebate Fund shall not be subject to a security interest, pledge, assignment, Lien or charge in favor of the Trustee or any other Person.

Application of Proceeds of Bonds and Other Moneys *(Section 402)*

The Issuer shall deposit with the Trustee all of the proceeds from the sale of the Initial Bonds, including accrued interest payable on the Initial Bonds. The Trustee shall deposit the proceeds from the sale of the Initial Bonds as follows: (1) the Trustee shall deposit the portion of the proceeds of the sale of the Initial Bonds representing accrued interest on the Initial Bonds, if any, into the Bond Fund; (2) the Trustee shall deposit the portion of the proceeds of the sale of the Initial Bonds representing capitalized interest on the Initial Bonds into the Series 2016 Capitalized Interest Account of the Bond Fund; (3) the Trustee shall deposit with the Prior Trustee the Defeasance Escrow Deposit to be held and applied in accordance with the Defeasance Escrow Agreement; and (4) the Trustee shall deposit the remainder of the proceeds of the sale of the Initial Bonds into the Series 2016 Project Account of the Project Fund.

The amounts held in the Series 2016 Project Account shall be disbursed upon closing to the Master Trustee to be held under and disbursed pursuant to the terms of the Master Indenture.

The proceeds of any Additional Bonds shall be deposited as provided in the supplement to the Indenture authorizing the issuance of such Additional Bonds. Any such proceeds required to be deposited in the Project Fund shall be deposited in the appropriate account relating to such Additional Bonds within the Project Fund.

Transfers of Trust Revenues to Funds *(Section 403)*

Commencing on the first date on which loan payments are received from the Corporation pursuant to Section 5.1(A) of the Loan Agreement, and thereafter, the Trustee shall deposit such payments, upon the receipt thereof, into the Bond Fund, as provided in Section 405(A) of the Indenture.

The Project Fund *(Section 404)*

In addition to moneys deposited in the Project Fund from the proceeds of the sale of the Bonds pursuant to Section 402 of the Indenture, there shall be deposited into the Project Fund all other moneys received by the Trustee under or pursuant to the Indenture or the other Financing Documents which, by the terms of the Indenture or thereof, are to be deposited in the Project Fund. Moneys deposited in the Series 2016 Project Account of the Project Fund with respect to the Initial Bonds shall be disbursed to the Master Trustee to be held under and disbursed pursuant to the terms of the Master Indenture. Moneys on deposit in the Project Fund with respect to the Additional Bonds shall be disbursed in accordance with the provisions of the supplemental Indenture authorizing issuance of such Additional Bonds.

The Trustee is by the Indenture authorized and directed to disburse moneys from the Project Fund upon receipt by the Trustee of a Request for Disbursement from an Authorized Representative of the Corporation. The Trustee shall rely exclusively on such Requests for Disbursements and shall have no duty, express or implied, to make any inspections or investigations with respect thereto.

The Bond Fund *(Section 405)*

In addition to the moneys deposited into the Bond Fund (1) from the proceeds of the Bonds pursuant to Section 402 of the Indenture and (2) pursuant to Sections 403 and 409 of the Indenture, there shall be deposited into the Bond Fund (a) all loan payments received from the Corporation under the Loan Agreement (except payments made with respect to the Unassigned Rights), (b) all prepayments by the Corporation in connection with which notice has been given to the Trustee pursuant to Section 302 of the Indenture, and (c) all other moneys received by the Trustee under and pursuant to the Indenture or the other Financing Documents which by the terms of the Indenture or thereof are to be deposited into the Bond Fund, or are accompanied by directions from the Corporation or the Issuer that such moneys are to be paid into the Bond Fund.

Moneys on deposit in the Bond Fund may be invested in Authorized Investments in accordance with Section 409 of the Indenture. All interest and other income accrued and earned on moneys on deposit in the Bond Fund shall be deposited by the Trustee into the Bond Fund. Moneys on deposit in the Series 2016 Capitalized Interest Account of the Bond Fund shall be transferred to the general Bond Fund under the Indenture to pay interest as the same becomes due and in such amounts as are then due and payable. Moneys on deposit in the Bond Fund shall, subject to this paragraph below, be applied by the Trustee to pay the principal of, premium, if any, and interest on the Bonds as the same become due, whether at Stated Maturity, upon acceleration of the Bonds or upon redemption of the Bonds, except as provided in Section 410 of the Indenture.

Notwithstanding anything in the Indenture to the contrary, in NO EVENT shall moneys deposited in the Bond Fund be retained therein for a period in excess of one (1) year, except as otherwise provided in the Tax Certificate.

The Insurance and Condemnation Fund *(Section 406)*

(A) The Net Proceeds of any insurance settlement or Condemnation award arising from damage to or destruction of or the taking of part or all of the Project Facility shall be applied pursuant to the provisions of the Master Indenture.

The Rebate Fund *(Section 407)*

The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Representative of the Corporation, shall deposit in the Rebate Fund, within thirty (30) days after the end of the Bond Year in which such certification is received, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the last day of such Bond Year and so certified to the Trustee. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the completion of the Project at any time during a Bond Year, the Trustee shall deposit in the Rebate Fund upon receipt of such certification an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated on the Completion Date or at the time of restoration of the Project Facility, as the case may be. The amount to be deposited in the Rebate Fund shall be withdrawn from the fund or funds established under the Indenture designated by the Corporation, or, in the event the amounts held in such fund or funds are less than the Rebate Amount, the amount to be deposited shall be withdrawn from the fund or funds

established under the Indenture designated by the Corporation or from other moneys made available by the Corporation; provided, however, that the Trustee may transfer monies from any fund or funds only to the extent such transfer does not result in an Event of Default under the Indenture.

Amounts on deposit in the Rebate Fund shall be invested in accordance with the provisions of Section 409 of the Indenture and the Tax Certificate. All income from such investments shall be deposited in the Rebate Fund.

In the event that on the first day of any Bond Year, after the calculation of the Rebate Amount, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Issuer or the Corporation, shall withdraw such excess amount and (1), prior to the Completion Date, shall transfer such excess to the Project Fund to be applied to the payment of Costs of the Project or (2), after the Completion Date, shall transfer such excess to the Bond Fund to be applied to the payment of the principal and interest and Sinking Fund Payments coming due on the Bonds on the next following Bond Payment Date.

The Trustee, upon the receipt of written instructions satisfactory to the Trustee from an Authorized Representative of the Corporation, shall pay to the United States, from amounts on deposit in the Rebate Fund or from other moneys supplied by the Corporation, (1) not later or less frequently than once every five (5) years after the date of original issuance (or such other date as the Corporation may choose, provided the Corporation and the Trustee receive an opinion of Bond Counsel that such change will not cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes) and every five years thereafter until final retirement of the Bonds, an amount such that, together with prior amounts paid to the United States, the total amount paid to the United States is equal to ninety percent (90%) of the Rebate Amount with respect to the Bonds as of the date of such payment, and (2) not later than thirty (30) days after the date on which all Bonds of any particular series have been paid in full, an amount such that, together with prior amounts paid to the United States, the total amount paid to the United States is equal to one hundred percent (100%) of the Rebate Amount with respect to such Bonds as of the date of such payment.

Notwithstanding any other provision in the Indenture, general or specific, to the contrary, the Trustee shall have no obligations under the Indenture relating to arbitrage restrictions or rebate requirements, except to comply with specific written instructions received by the Trustee from the Corporation with respect to deposits into the Rebate Fund and release of moneys therefrom. The Trustee shall not have any responsibility to make any calculations relating to arbitrage restrictions or rebate requirements, or to make any other determinations with respect to the excludability of the interest on the Bonds from gross income for federal income tax purposes or to verify, confirm or review (and the Trustee shall not verify, confirm or review) any such calculations or requirements or determinations made under the Indenture or under the Tax Certificate relating to arbitrage restrictions or rebate requirements, or with respect to the excludability of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes or to take any other action with respect thereto under the Indenture. The Trustee shall not have any responsibility for verifying (and the Trustee shall not verify, confirm or review) that the use of proceeds of the Bonds is in compliance with the requirements of the Code. The Trustee shall not have any responsibility to notify the Corporation or any other person of any failure by the Corporation or any other person to provide to the Trustee timely written directions relating to arbitrage restrictions or rebate requirements as required under the Indenture or under the Tax Certificate, including, without limitation, Corporation certifications or directions regarding rebate determinations or rebate payments which may be due and payable to the Internal Revenue Service.

This provision may be amended, without notice to or consent of the Bondholders, at the request of the Issuer or the Corporation, to comply with the applicable regulations of the Treasury Department,

upon the delivery by the Issuer or the Corporation to the Trustee of an opinion of Bond Counsel that such amendment will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Tax-Exempt Bonds which exists on the Closing Date.

Accompanying each certification of a Rebate Amount shall be a complete copy of the report of the Accountant or other service provider engaged by the Corporation in making such determination, which report is provided to the Trustee for informational purposes, and the Trustee shall be under no obligation to review or evaluate the same.

Investment of Funds *(Section 409)*

Any moneys held as part of any fund created in the Indenture shall be continuously invested and reinvested, from time to time, by the Trustee in Authorized Investments at the written direction of an Authorized Representative of the Corporation, or, in the absence of such direction, in any money market fund customarily invested in by the Trustee, which may be a proprietary fund of the Trustee.

The Trustee shall be responsible for assuring that any moneys held in any fund shall be invested so that (1) all investments shall mature or be subject to mandatory redemption by the holder of such investments (at not less than the principal amount thereof, or the cost of acquisition, whichever is lower), and all deposits in time accounts shall be subject to withdrawal, without penalty, not later than the date when the amounts will foreseeably be needed for purposes of the Indenture and (2) investments of moneys on deposit in the Bond Fund shall mature or be subject to mandatory redemption by the holder (at not less than the principal amount thereof) not more than ninety (90) days from the date of acquisition. The investments so purchased shall be held by the Trustee and shall be deemed at all times to be a part of the fund in which such moneys were held.

The Trustee is directed to sell and reduce to cash a sufficient amount of such investments whenever the cash balance in said fund shall be insufficient to cover a proper disbursement from said fund.

Net income or gain received and collected from such investments shall be credited and losses charged to (1) the Rebate Fund, with respect to the investment of amounts held in the Rebate Fund, and (2) the Project Fund or the Bond Fund, as the case may be, with respect to the investment of amounts held in such funds.

The Trustee may make any investment permitted by this provision through its own investment department. The Trustee shall not be liable (except for its own negligence or willful misconduct) for any depreciation in the value of any investment made pursuant to this provision or for any loss arising from such investment.

Final Disposition of Moneys *(Section 410)*

In the event there are no Bonds Outstanding, and subject to any applicable law to the contrary, after payment of all fees, charges and expenses, including, but not limited to reasonable attorney's fees, of the Issuer and the Trustee and all other amounts required to be paid under the Indenture and under the other Financing Documents and after payment of any amounts required to be rebated to the United States under the Indenture and under the Tax Certificate or any provision of the Code, all amounts remaining in any fund established under the Indenture shall be transferred to the Corporation (except amounts held with respect to the Unassigned Rights, which amounts shall be paid to the Issuer, and except for moneys held for the payment or redemption of Bonds which have matured or been defeased or notice of the

redemption of which has been duly given, which shall be held for the benefit of the Owners of such Bonds) upon the written request of the Corporation.

Periodic Reports by Trustee *(Section 411)*

Within thirty (30) days after each January 1 and July 1, and within thirty (30) days after any request from the Issuer or the Corporation, the Trustee shall furnish to the Issuer and the Corporation a report on the status of each of the funds established under the Indenture, showing at least the balance in each such fund as of the final day of the period with respect to which the last such report described (or, if such report is the first such report, as of the Closing Date), the total of deposits into (including interest on investments) and the total of disbursements from each such fund, the dates of such deposits and disbursements, and the balance in each such fund on the last day of the period to which such report relates (which date shall be not earlier than the last day of the calendar month preceding the date of such report), and such other information as the Issuer or the Corporation may reasonably request.

No Modification of Security; Limitation on Liens *(Section 508)*

The Issuer covenants that it will not alter, modify or cancel, or agree to alter, modify or cancel, the Loan Agreement or any other Financing Document to which the Issuer is a party, or which has been assigned to the Issuer, and which materially adversely to or affects the security for the Bonds, except as contemplated by the Indenture or pursuant to the terms of such document. The Issuer further covenants that, except for the Financing Documents and other Permitted Encumbrances, the Issuer will not incur, or suffer to be incurred, any mortgage, Lien, charge or encumbrance on or pledge of any of the Trust Estate prior to or on a parity with the Lien of the Indenture.

Covenant Regarding Tax Exemption *(Section 513)*

Notwithstanding any other provision of the Indenture, so long as any Tax-Exempt Bonds shall be Outstanding, the Issuer shall not use or direct or permit the use of the proceeds of the Tax-Exempt Bonds or any other moneys in its control, and shall not take any action, or fail to take any action in such manner as would cause the interest on any of the Tax-Exempt Bonds to be not excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Pursuant to such covenant, the Issuer obligates itself to comply throughout the term of the Tax-Exempt Bonds with the requirements of Section 148 of the Code, as provided in the Tax Certificate. In addition, in furtherance of the foregoing, the Issuer covenants that it will comply with the provisions of the Tax Certificate. Notwithstanding any other provision of the Indenture to the contrary, so long as necessary to maintain the exclusion of interest on any Tax-Exempt Bond from gross income for federal income tax purposes, the covenants contained in this provision shall survive the payment of such Tax-Exempt Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 1001 of the Indenture.

The Issuer shall not be responsible for the calculation or payment of any Rebate Amount required by Section 148 of the Code.

The Trustee shall not be responsible for the calculation, or the payment from its own funds, of any amount required to be rebated to the United States under Section 148 of the Code. The Trustee shall, however, make such transfers to the Rebate Fund and pay such amounts from the funds and accounts created under the Indenture and from the Corporation's funds to the United States as the Corporation, in accordance with the Indenture and the Tax Certificate, shall direct in writing.

Covenant Regarding Adjustment of Debts *(Section 514)*

In any case under Chapter 9 of Title 11 of the United States Code involving the Issuer as debtor, the Issuer, unless compelled by a court of competent jurisdiction, shall neither list the Trust Revenues or any part thereof or the Project Facility or any part thereof as an asset or property of the Issuer nor list any amounts owed upon the Bonds Outstanding as a debt of or claim against the Issuer.

Events of Default *(Section 601)*

The following shall be "Events of Default" under the Indenture, and the terms "Event of Default" shall mean, when they are used in the Indenture, any one or more of the following events:

(A) failure by the Issuer to make due and punctual payment of the interest or premium on any Bond, or failure by the Issuer to make due and punctual payment of the principal of any Bond, whether at the Stated Maturity thereof, or upon proceedings for the redemption thereof, or upon the maturity thereof by declaration;

(B) subject to any right to waive the same as set forth in the Financing Documents, receipt by the Trustee of notice, or actual notice on the part of the Trustee, of the occurrence of an Event of Default under any of the other Financing Documents; or

(C) subject to Section 614 of the Indenture, default in the performance or observance of any other covenant, agreement or condition on the part of the Issuer in the Indenture or in any Bond to be performed or observed and the continuance thereof for a period of thirty (30) days after written notice thereof is given to the Issuer and the Corporation by the Trustee or by the Holders of at least fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding.

Acceleration *(Section 602)*

Upon (1) the occurrence of an Event of Default under Section 601(A) of the Indenture the Trustee shall, or (2) the occurrence of an Event of Default under Section 601(B) or Section 601(C) of the Indenture and so long as such Event of Default is continuing, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, the Trustee shall, by notice in writing delivered to the Corporation, with a copy of such notice being sent to the Issuer, declare the entire principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any such declaration, the Trustee shall immediately declare an amount equal to all amounts then due and payable on the Bonds to be immediately due and payable under the Loan Agreement.

Upon the occurrence of any declaration by the Trustee under this provision, the principal of the Bonds then Outstanding and the interest accrued thereon shall thereupon become and be immediately due and payable, and interest shall continue to accrue thereon until the date of payment.

Enforcement of Remedies *(Section 603)*

Upon the occurrence and during the continuance of any Event of Default, the Trustee shall exercise such of the rights and powers vested in the Trustee by the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. In considering what actions are or are not prudent in the circumstances, the

Trustee shall consider whether or not to take such action as may be permitted to be taken by the Trustee under any of the Financing Documents.

Upon the occurrence and during the continuance of any Event of Default, the Trustee may proceed forthwith to protect and enforce its rights under the Enabling Act, the Loan Agreement and the other Financing Documents by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient.

Upon the occurrence and during the continuance of any Event of Default, the Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce payment of and receive any amounts due or becoming due from the Issuer or the Corporation under any of the provisions of the Indenture, the Loan Agreement and the other Financing Documents, without prejudice to any other right or remedy of the Trustee or the Bondholders. The Trustee may sue for, enforce payment of and receive any amounts due or becoming due from the Corporation for principal, premium, interest or otherwise under any of the provisions of the Indenture or the other Financing Documents, without prejudice to any other right or remedy of the Trustee.

Regardless of the happening of an Event of Default, the Trustee may institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture and the other Financing Documents by any acts which may be unlawful or in violation of the Indenture or of any other Financing Document or of any resolution authorizing the Bonds, or to preserve or protect the interest of the Trustee and/or the Bondholders.

Rights of Bondholders to Direct Proceedings *(Section 607)*

The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right at any time, by an instrument in writing executed and delivered to the Trustee and upon offering the Trustee the security and indemnity provided for in Section 701(I) the Indenture, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, the Loan Agreement or the other Financing Documents, or for the appointment of a receiver or any other proceedings under the Indenture, provided that such direction, in the opinion of Independent Counsel, is in accordance with the provisions of law and is not unduly prejudicial to the interests of the Bondholders not joining such direction.

Application of Moneys *(Section 609)*

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including reasonable attorneys' fees) incurred or made by the Trustee, be deposited into the Bond Fund; and all moneys in the Bond Fund shall be applied, together with the other moneys held by the Trustee under the Indenture (other than amounts on deposit in the Rebate Fund), as follows:

(1) Unless the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

FIRST - to the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - to the payment to the Persons entitled thereto of the unpaid principal of and any premium on the Bonds (other than Bonds called for redemption for the payment of which moneys shall be held pursuant to the provisions of the Indenture) which shall have become due, in order of their maturities, with interest from the date upon which they became due and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, and interest on the Bonds due on any particular date, then to the payment ratably, according to amounts due respectively for principal, interest and premium, if any, to the Persons entitled thereto, without any discrimination or privilege; and

THIRD - to the payment to the Persons entitled thereto of the principal of, premium, if any, on, or interest on the Bonds which may thereafter become due and payable, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of interest, principal and premium, if any, due on such date to the Persons entitled thereto, without any discrimination or privilege.

(2) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal and premium over interest or of interest over principal and premium, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bonds, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of item (1) of the preceding paragraph, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for such application and the likelihood of additional moneys becoming available in the future. Whenever the Trustee shall apply such moneys under the provisions of item (1) of the preceding paragraph, the Trustee shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. Whenever moneys are to be applied pursuant to the provisions of item (2) of the preceding paragraph, such moneys shall be applied as soon as practicable upon receipt thereof. In either case, the Trustee shall give such notice as the Trustee may deem appropriate of the deposit with the Trustee of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee and a new Bond is issued or the Bond is canceled if fully paid.

Notice of Defaults; Opportunity to Cure *(Section 614)*

Anything in the Indenture to the contrary notwithstanding, no default described in Section 601(B) or Section 601(C) of the Indenture shall constitute an Event of Default until the Trustee shall have received written notice thereof or shall have actual notice thereof and until actual notice of such default by registered or certified mail shall be given by the Trustee or by the Holders of not less than fifty-one (51%) percent of the aggregate principal amount of Bonds then Outstanding to the Issuer and the Corporation (with a copy to the Trustee if given by the Holders), and the Issuer and the Corporation shall have had thirty (30) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Corporation within the applicable period and diligently pursued until the default is corrected.

The Trustee shall immediately notify the Issuer and the Corporation of any Event of Default known to the Trustee.

Acceptance of the Trusts *(Section 701)*

The Trustee by the Indenture accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts upon the following terms and conditions:

(A) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties under the Indenture by or through attorneys, agents, receivers or employees, but shall not be answerable for the conduct of the same if appointed without negligence, and shall be entitled to advice of counsel concerning all matters of the trusts of the Indenture and the duties under the Indenture, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts of the Indenture. The Trustee may act, without gross negligence, upon the opinion or advice of any attorney appointed, who may be the attorney or attorneys for the Issuer, and shall not be responsible for any loss or damage resulting from any action or nonaction in reliance upon any such opinion or advice.

(B) Except as expressly provided in the Indenture, the Trustee shall not be responsible for any recital in the Indenture or in the Bonds (except in respect to the authentication certificate of the Trustee endorsed on the Bonds), or for the validity of the execution by the Issuer or the Corporation of the Indenture or of any supplements thereto or instruments of further assurance or of any other Financing Document, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured by the Indenture, or for insuring the Property subject to the Lien of the Financing Documents, or for the value or title of any of the Property subject to the Lien of the Financing Documents, or for the payment of, or for minimizing taxes, charges, assessments or Liens upon the same, or otherwise as to the maintenance of the security of the Indenture, except as to the safekeeping of the pledged collateral held by the Trustee and except that, in the event the Trustee enters into possession of part or all of the Property subject to the Lien of the Financing Documents pursuant to any provision thereof, it shall use due diligence in preserving the same, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the Issuer or the Corporation, but the Trustee may require of the Issuer and the Corporation full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the Property subject to the Lien of the Financing Documents.

(C) The Trustee may become the Owner of Bonds secured by the Indenture with the same rights which it would have if not the Trustee.

(D) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Owner of any Bond shall be conclusive and binding upon all future owners of the same Bond and of any Bond or Bonds issued in exchange therefor or in place thereof.

(E) The Trustee may accept a certificate of the Secretary or Assistant Secretary of the Issuer under its corporate seal to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted and is in full force and effect. As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate of the Corporation signed by

an Authorized Representative of the Corporation, or a certificate of an Authorized Representative of the Issuer under seal, as the case may be, as sufficient evidence of the facts therein contained and, prior to the occurrence of a default of which it has been notified as provided in paragraph (M) of this provision or of which by said paragraph it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is or is not necessary or expedient, but may at its discretion, at the reasonable expense of the Corporation, in every case secure such further evidence as it may think necessary or advisable, but shall in no case be bound to secure the same.

(F) The permissive right of the Trustee to do things enumerated in the Financing Documents shall not be construed as a duty.

(G) At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Issuer pertaining to the Project Facility and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(H) Notwithstanding anything elsewhere in the Indenture, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any moneys, the release of any interest in Property or any action whatsoever, within the purview of the Indenture or of any Financing Document, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to those required in the Indenture.

(I) Before taking any action under the Indenture (except declaring an Event of Default, a mandatory redemption or an acceleration of the Bonds pursuant to the Indenture), the Trustee may require that a security and indemnity reasonably satisfactory to it be deposited with it for the reimbursement of all fees, costs and expenses including, but not limited to, reasonable attorney's fees and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

(J) All moneys received by the Trustee or any paying agent shall, until used or applied or invested as in the Indenture provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or by the Indenture. Neither the Trustee nor any paying agent shall be under any liability for interest on any moneys received under the Indenture except such as may be agreed upon with the Issuer. The Trustee shall not be liable for any loss pertaining to an Authorized Investment executed in accordance with written instructions from the Corporation.

(K) The Trustee, prior to an Event of Default under the Indenture and after curing all Events of Default which may have occurred, undertakes to perform only such duties as are specifically set forth in the Indenture. In case an Event of Default has happened which has not been cured, the Trustee shall exercise the rights, duties and powers vested in the Trustee by the Indenture in good faith and with that degree of diligence, care and skill which ordinarily prudent persons would exercise under similar circumstances in handling their own affairs.

(L) The Trustee shall furnish to the Issuer during the term of the Indenture upon the written request of the Issuer any reports or other account of the use of any of the Issuer's funds held by the Trustee that may be required by any governmental body.

(M) The Trustee shall not be required to take notice or be deemed to have notice of the occurrence of any Event of Default other than an Event of Default under Section 601(A) of the

Indenture, unless the Trustee shall have actual knowledge of such Event of Default or or unless the Trustee shall be specifically notified in writing of such Event of Default by the Issuer or the Corporation or the Owners of at least fifty-one percent (51%) in aggregate principal amount of Bonds Outstanding under the Indenture, and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default, except as aforesaid.

(N) The Trustee shall not be personally liable for any debts contracted or for damages to Persons or to personal Property injured or damaged, or for salaries or nonfulfillment of contracts, during any period in which it may be in the possession of or managing any Property subject to the Lien of the Financing Documents as in the Indenture provided.

(O) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(P) All notices to, or requests of, the Trustee under the Indenture shall be in writing.

Appointment of Successor Trustee by the Bondholders; Temporary Trustee *(Section 708)*

In case the Trustee under the Indenture shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their duly authorized attorneys; provided, nevertheless, that in case of vacancy, the Issuer (at the written direction of the Corporation) by an instrument executed and signed by the Chairman or Vice Chairman and attested by the Secretary or Assistant Secretary of the Issuer under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bondholders in the manner above provided; and any such temporary Trustee so appointed by the Issuer (at the written direction of the Corporation) shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders.

Every such successor or temporary Trustee appointed pursuant to this provision shall (1) be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing, (2) be located within or outside the State, (3) be duly authorized to exercise trust powers in the State, (4) be subject to examination by a federal or state authority, and (5) maintain a reported capital and surplus of not less than $5,000,000, or be a subsidiary of a bank holding company with such capital and surplus.

Supplemental Indentures not Requiring Consent of Bondholders *(Section 801)*

The Issuer and the Trustee, without the consent of, or notice to, any of the Bondholders, may enter into an indenture or indentures supplemental to the Indenture and not inconsistent with the terms and provisions of the Indenture or materially adverse to the interests of the Trustee or the Holders of the Bonds, for any one or more of the following purposes:

(1) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;

(2) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or any of them;

(3) to subject additional rights and revenues to the Lien of the Indenture, or to identify more precisely the Trust Estate;

(4) to obtain or maintain a rating on the Bonds from Moody's or Fitch;

(5) to comply with the provisions of the Code necessary to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes;

(6) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939 or any similar Federal statute in effect after the date of the Indenture or under any state blue sky law;

(7) to enable the issuance of Additional Bonds;

(8) to permit the Bonds to be converted to certificated securities to be held by the registered owners thereof; or

(9) for any other purpose not materially adverse to the interests of the Holders of the Bonds.

The Issuer and the Trustee may rely on an opinion of Independent Counsel as conclusive evidence that the execution and delivery of any amendment or supplemental indenture has been effected in compliance with this provision.

Supplemental Indentures Requiring Consent of Bondholders *(Section 802)*

Except for supplemental indentures as provided in this provision, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such indenture or indentures supplemental to the Indenture as shall be deemed necessary or desirable by the Issuer or the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing contained in this provision shall permit or be construed as permitting (1) without the consent of the Holder of such Bond, (a) a reduction in the rate, or extension of the time of payment, of interest on any Bond, (b) a reduction of any premium payable on the redemption of any Bond, or an extension of time for such payment, or (c) a reduction in the principal amount payable on any Bond, or an extension of time in which the principal amount of any Bond is payable, whether at the stated or declared maturity or redemption thereof, (2) the creation of any Lien prior to or on a parity with the Lien of the Indenture (other than that parity Lien created to secure the Additional Bonds), (3) a reduction in the aforesaid aggregate principal amount of Bonds, the Holders of which are required to consent to any such supplemental indenture, without the consent of the Holders of all the Bonds at the time Outstanding which would be affected by the action to be taken, (4) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (5) a privilege or priority of any Bond or Bonds over any other Bond or Bonds.

If at any time the Issuer and the Trustee propose to enter into any such supplemental indenture for any of the purposes specified in this provision, the Trustee shall, upon being satisfactorily secured and

indemnified as provided in Section 701(I) of the Indenture with respect to fees, costs and expenses, including, but not limited to, reasonable attorneys' fees, cause notice of the proposed execution of such supplemental indenture to be mailed to each Bondholder. Such notice, which shall be prepared by Independent Counsel, shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Office of the Trustee for inspection by all Bondholders. If, within sixty (60) days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as in the Indenture provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. In lieu of the written consent referred to above, the Trustee may rely upon the consent of the Holders of any Additional Bonds as part of their agreement to purchase such Additional Bonds at original issuance. Upon the execution of any such supplemental indenture as in this provision permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

The Issuer and the Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that the execution and delivery of a supplemental indenture has been effected in compliance with the provisions of this provision.

Supplemental Indentures; Consent of the Corporation *(Section 803)*

Notwithstanding anything contained in the Indenture to the contrary, no supplemental indenture which affects any rights or liabilities of the Corporation shall become effective unless or until the Corporation shall have consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice, which shall be prepared by Independent Counsel, of the proposed execution and delivery of any such supplemental indenture to be mailed by certified or registered mail to the Corporation at least fifteen (15) days prior to the proposed date of execution and delivery of any supplemental indenture.

The Issuer and the Trustee may rely upon an opinion of Independent Counsel as conclusive evidence whether or not a supplemental indenture affects any rights or liabilities of the Corporation within the meaning of, and for the purposes of, this provision.

Amendments to the Loan Agreement or Other Financing Documents Not Requiring Consent of Bondholders *(Section 901)*

The Issuer, the Corporation and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Loan Agreement as may be required (1) by the provisions of any Financing Document, (2) for the purpose of curing any ambiguity, inconsistency or formal defect therein or omission therefrom, (3) so as to identify more precisely the Project Facility, (4) in connection with any supplemental indenture entered into pursuant to Section 801 of the Indenture, or to effect any purpose for which there could be a supplemental indenture pursuant to Section 801 of the Indenture, (5) to obtain or maintain a rating on the Bonds from Moody's or Fitch, (6) to permit the issuance of Additional Bonds, (7) to comply with the provisions of the Code necessary to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, or (8) in connection with any other supplemental indenture, but only if any such amendment, change or modification, in the sole judgment of the Trustee, is not materially adverse to the interests of the Trustee or the Bondholders.

The Issuer and the Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that the execution and delivery of any amendment, change or modification to the Loan Agreement or any other Financing Document (other than the Indenture) has been effected in compliance with the provisions of this provision.

Amendments to Loan Agreement Requiring Consent of Bondholders *(Section 902)*

Except for the amendments, changes or modifications as provided in Section 901 of the Indenture, neither the Issuer, the Corporation nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement without mailing notice thereof to, and obtaining the written approval or consent thereto of, the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given as in this provision.

If at any time the Issuer and the Corporation shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement not authorized by Section 901 of the Indenture, the Trustee shall, upon being satisfactorily secured and indemnified as provided in Section 701(I) of the Indenture with respect to fees, costs and expenses including, but not limited to, reasonable attorney's fees, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 802 of the Indenture with respect to supplemental indentures. Such notice, which shall be prepared by Independent Counsel, shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Office of the Trustee for inspection by all Bondholders.

The Issuer and the Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that the consent to the execution and delivery of any amendment, change or modification to the Loan Agreement or any other Financing Document (other than the Indenture) has been effected in compliance with the provisions of this provision.

Satisfaction Discharge of Lien *(Section 1001)*

If the Issuer (1) shall pay or cause to be paid, to the Holders and Owners of the Bonds, the principal of the Bonds and premium, if any, due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, (2) shall pay or cause to be paid from any source, to the Holders and Owners of the Bonds, the interest to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, (3) shall have paid all fees, costs and expenses including, but not limited to, reasonable attorney's fees of the Trustee and each paying agent, and (4) shall pay or cause to be paid the entire Rebate Amount to the United States in accordance with the Tax Certificate and Section 407 of the Indenture, then these presents and the trust and rights by the Indenture granted shall cease, terminate and be void, and thereupon the Trustee shall (a) cancel and discharge the Lien of the Indenture upon the Trust Estate and the Trustee's rights under the other Financing Documents and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy same, and (b) assign and deliver to the Corporation any interest in Property at the time subject to the Lien of the Indenture and the other Financing Documents which may then be in its possession, except amounts held by the Trustee for the payment of principal of, and the interest and premium, if any, on, the Bonds.

All Outstanding Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the paragraph above, if, under circumstances which, in the opinion of Bond Counsel, do not adversely affect the exclusion under the Code of interest on the Tax-Exempt Bonds from the gross income of the Holders thereof for Federal income tax purposes, the following conditions shall have been fulfilled: (1) in case any of the Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form

satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date as provided in the Indenture; and (2) there shall be on deposit with the Trustee moneys, which shall be either cash or Defeasance Obligations, in an amount sufficient, without the need for further investment or reinvestment, but including any scheduled interest on or increment to such obligations, to pay when due the principal, premium, if any, and interest due and to become due on the Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and to pay the Trustee for its Ordinary Services and Ordinary Expenses and for its Extraordinary Services and Extraordinary Expenses under the Indenture.

The Trustee may rely upon an opinion of an Accountant as to the sufficiency of the cash or such Defeasance Obligations on deposit.

Notwithstanding the foregoing, those provisions relating to the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust, and repayments to the Corporation from the Bond Fund, the rebate of moneys to the United States in accordance with the Indenture, and the duties of the Trustee and the Registrar in connection with all of the foregoing, shall remain in effect and be binding upon the Trustee, the Bond Registrar, the Paying Agents and the Bondholders notwithstanding the release and discharge of the Indenture. The provisions in this Article shall survive the release, discharge and satisfaction of the Indenture.

No Recourse; Special Obligation *(Section 1109)*

The obligations and agreements of the Issuer contained in the Indenture and in the other Financing Documents and any other instrument or document executed in connection therewith, and any other instrument or document supplemental to the Indenture or thereto, shall be deemed the obligations and agreements of the Issuer, and not of any member, director, officer, agent (other than the Corporation), servant or employee of the Issuer in his individual capacity, and the members, directors, officers, agents (other than the Corporation), servants and employees of the Issuer shall not be liable personally thereon or be subject to any personal liability or accountability based upon or in respect of the Indenture or thereof or of any transaction contemplated by the Indenture or thereby.

The obligations and agreements of the Issuer contained in the Indenture shall not constitute or give rise to an obligation of the State or Westchester County, New York, and neither the State nor Westchester County, New York shall be liable thereon, and further, such obligations and agreements shall not constitute or give rise to a general obligation of the Issuer, but rather shall constitute limited obligations of the Issuer payable solely from the revenues of the Issuer derived and to be derived from the sale or other disposition of the Project Facility (except for revenues derived by the Issuer with respect to the Unassigned Rights).

No order or decree of specific performance with respect to any of the obligations of the Issuer under the Indenture (other than pursuant to Section 502 of the Indenture, and then only to the extent of the Issuer's obligations thereunder) shall be sought or enforced against the Issuer unless the party seeking such order or decree shall first have complied with the applicable provisions of the Indenture.

The Issuer shall be entitled to the advice of counsel (who may be counsel to any party or to any Bondholder) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Issuer may rely conclusively on any notice, certificate or other document furnished to it under any Financing Document and reasonably believed by it to be genuine. The Issuer shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the

discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under any Financing Document, or omitted to be taken by it by reason of the lack of direction or instruction required for such action under any Financing Document, and shall not be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Issuer is called for by the Indenture, the Issuer may defer such action pending an investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Issuer shall in no event be liable for the application or misapplication of funds or for other acts or defaults by any Person except by its own directors, officers and employees.

In approving, concurring in or consenting to any action or in exercising any discretion or in making any determination under the Indenture, the Issuer may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties to the Indenture and the Bondholders; provided, however, that nothing in the Indenture shall be construed as conferring on any Person other than the Trustee and the Bondholders any right to notice, hearing or participation in the Issuer's consideration, and nothing in this provision shall be construed as conferring on any of them any right additional to those conferred elsewhere in the Indenture. Subject to the foregoing, the Issuer shall not unreasonably withhold any approval or consent to be given by it under the Indenture.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURE

MASTER INDENTURE

The Master Indenture contains terms and conditions relating to the issuance and sale of Obligations thereunder, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be complete or comprehensive and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

Amount of Indebtedness

Subject to the terms, limitations and conditions established in the Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations under the Master Indenture or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created under the Master Indenture are not limited, except as limited by the provisions thereof, including the provisions described under the heading "Limitations on Indebtedness" in the Master Indenture, or of any Supplement. Any Member of the Obligated Group proposing to incur Long-Term Indebtedness, whether evidenced by Obligations, Guaranties or by evidence of Indebtedness entered into pursuant to documents other than the Master Indenture, shall, at least seven (7) days prior to the date of the incurrence of such Indebtedness, give written notice of its intention to incur such Indebtedness, including in such notice the amount of Indebtedness to be incurred and the subsection of the appropriate section of the Master Indenture under which it will be incurred, to the Corporation with copies to other Members of the Obligated Group, any Applicable Credit Facility Issuer and to the Master Trustee, and any such Member of the Obligated Group proposing to incur such Indebtedness shall obtain the written consent of the Corporation, which consent shall be evidenced by a resolution of the Corporation's Governing Body filed with the Master Trustee. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation issued under the Master Indenture. (*Section 2.01*)

Supplement Creating Obligations

The Corporation (on behalf of the Obligated Group) and the Master Trustee may from time to time enter into a Supplement in order to create an Obligation or a Series of Obligations under the Master Indenture. Such Supplement shall, with respect to an Obligation or a Series of Obligations evidencing Indebtedness created thereby, set forth the date thereof, and the date or dates on which the principal of and premium, if any, and interest on such Obligation or Series of Obligations shall be payable, the provisions regarding discharge thereof, and the form of such Obligation or Series of Obligations and such other terms and provisions as shall conform with the provisions of the Master Indenture. In addition to the security therefor provided under the heading "Security; Restrictions on Encumbering Property; Joint and Several Obligation" in the Master Indenture, any such Obligation or Series of Obligations may be secured by such Properties and revenues of the Member of the Obligated Group as may be permitted under the Master Indenture and under the provisions of the Applicable Supplement. (*Section 2.05*)

Establishment of Funds

The following funds are authorized to be established, held and maintained under the Master Indenture by the Master Trustee, and the Master Trustee may establish for each Applicable Obligation or

Series of Obligations one or more sub-accounts, as provided under the Applicable Supplement, separate from any other funds or accounts established and maintained pursuant to any other Supplement:

Construction Fund;

Debt Service Fund;

Debt Service Reserve Fund; and Arbitrage Rebate Fund.

As indicated above, accounts and sub-accounts within each of the foregoing funds, or other funds deemed appropriate therefor, may, from time to time, be established in accordance with an Applicable Supplement, an Applicable Obligation Series Certificate or upon the direction of the Corporation. Except as otherwise provided in any Supplement or Obligations Series Certificate, all moneys at any time deposited in any fund created by the Master Indenture, other than the Applicable Arbitrage Rebate Fund, shall be held in trust for the benefit of the Holders of the Applicable Obligations or Series of Obligations, but shall nevertheless be disbursed, allocated and applied solely in connection with an Applicable Obligation or Series of Obligations for the uses and purposes provided in the Master Indenture. (*Section 5.01*)

Security for Deposits

All moneys held pursuant to a Supplement by the Master Trustee shall be continuously and fully secured, for the benefit of the Obligated Group and the Holders of the Applicable Obligation or Series of Obligations, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Master Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Master Trustee or any Paying Agent to give security for the deposit of any moneys with them and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on an Obligation or a Series of Obligations, or for the Master Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Master Indenture as an investment of such moneys. (*Section 5.02*)

Investment of Funds Held by the Master Trustee

(a) Money held pursuant to a Supplement by the Master Trustee in an Applicable Construction Fund, Applicable Debt Service Fund, Applicable Debt Service Reserve Fund and Applicable Arbitrage Rebate Fund, if permitted by law, shall, as nearly as may be practicable, be invested by the Master Trustee, upon direction of the Corporation (on behalf of the Obligated Group) given or confirmed in writing (which direction shall specify the amount thereof to be so invested), in Government Obligations, deposits fully insured by the Federal Deposit Insurance Corporation or Exempt Obligations.

(b) In lieu of the investment of moneys in obligations authorized in subdivision (a) above, the Master Trustee shall, to the extent permitted by law, upon direction of the Corporation given or confirmed in writing, invest moneys in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Corporation the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation; or (ii) Investment Agreements; provided

that (w) each such investment shall permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Corporation reasonably believes such moneys will be required for the purposes of the Master Indenture, (x) all moneys in each such interest-bearing time deposit, certificate of deposit or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in Government Obligations of a market value determined by the Master Trustee or its agent that is at least equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement shall be deposited with and held by the Master Trustee or an agent of the Master Trustee approved by the Corporation, and (z) the Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangements shall be free and clear of claims of any other person.

(c) Obligations purchased or other investments made as an investment of moneys in any fund held by the Master Trustee under the provisions of any Supplement shall be deemed at all times to be a part of such fund and the income or interest earned, profits realized or losses suffered by a fund due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund unless otherwise provided in such Supplement.

(d) In computing the amount in any fund held by the Master Trustee under the provisions of the Master Indenture, obligations purchased as an investment of moneys therein or held therein shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in a Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest and except that Investment Agreements shall be valued at original cost, plus accrued interest.

(e) The Corporation, in its discretion, may direct the Master Trustee to, and the Master Trustee shall, sell, or present for redemption or exchange any investment held by the Master Trustee pursuant to the Master Indenture and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Master Indenture, the Master Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Master Indenture whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Master Trustee shall advise the Corporation in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Master Indenture and of the details of all investments held for the credit of each fund in its custody under the provisions of the Master Indenture as of the end of the preceding month and as to whether such investments comply with the provisions of subdivisions (a), (b) and (c) of this section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Master Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund in the previous month.

(f) No part of the proceeds of any Applicable Obligation or Series of Obligations or any other funds of the Corporation shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Obligation to be an "arbitrage bond" within the meaning of Section 148(a) of the Code. (*Section 5.03*)

Security; Restrictions on Encumbering Property; Joint and Several Obligation

(a) Pursuant to the Master Indenture, the Gross Receipts are pledged and assigned to the Master Trustee as security for the payment of all Obligations and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under any Obligation, all in accordance with the provisions of the Master Indenture and thereof. The pledge made thereby is valid,

binding and perfected from the time when made and the Gross Receipts shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against any Member of the Obligated Group irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed.

(b) All funds and accounts authorized by the Master Indenture and established pursuant to an Applicable Supplement, other than an Applicable Arbitrage Rebate Fund, are subject to the Applicable Supplement, pledged and assigned to the Master Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Obligation or Series of Obligations and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under the Applicable Supplement with respect to such Obligation or Series of Obligations, all in accordance with the provisions of the Master Indenture and thereof. Such pledge, subject to the adoption of the Applicable Supplement, shall relate only to the Applicable Obligation or Series of Obligations authorized by such Supplement and no other Obligation or Series of Obligations and such pledge shall not secure any such other Obligation or Series of Obligations other than the Applicable Obligations or Series of Obligations. Such pledge is valid, binding and perfected from the time when the pledge attaches, and all funds and accounts established by the Master Indenture and pursuant to the Applicable Supplement which are pledged by the Master Indenture and pursuant to the Applicable Supplement shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against any Member of the Obligated Group irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed.

(c) Each Obligation and Series of Obligations shall be special obligations of the Obligated Group payable solely from and secured by a pledge of the Gross Receipts and, as and to the extent provided in the Applicable Supplement, the funds and accounts established by the Master Indenture and pursuant to the Applicable Supplement, which pledge shall constitute a first lien thereon.

(d) Upon the occurrence and continuance of any Event of Default, all such Gross Receipts and any funds and accounts pledged and assigned as security for Applicable Obligations shall be held in trust for the Holders from time to time of the Applicable Obligations issued and Outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation, except as otherwise set forth in the Applicable Supplement; provided that the Holders of Obligations designated as Subordinate Obligations shall have only such rights to such security as shall be set forth in the Applicable Supplement, the Applicable Obligations Series Certificate or other document creating the Subordinate Obligations; and provided, further, that the Holders of Obligations designated as Senior Obligations shall have no right, title or claim to or against any moneys paid by the County pursuant to any County Guaranty unless otherwise provided in the Applicable Supplement, the Obligations Series Certificate or other document creating the Senior Obligation. If any Event of Default shall have occurred, any Gross Receipts thereafter received shall immediately, upon receipt, be transferred into the Gross Receipts Fund established pursuant to the Master Indenture for disposition as therein provided by the Master Trustee. Prior to the receipt of the written request of the Holders by the Master Trustee, in accordance with the Master Indenture, any Member of the Obligated Group may transfer all or any part of its Gross Receipts free of such security interest, subject, however, to the provisions of the Master Indenture. In the event of such transfer, upon the request and at the expense of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so transferred.

(e) At least one Business Day prior to the delivery of the first Obligation under the Master Indenture, there shall be delivered to the Master Trustee duly executed financing statements evidencing the security interests of the Master Trustee in the Gross Receipts and other amounts pledged under the Master Indenture and under the Applicable Supplement in the form required by the New York Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State of the State of New York and in the offices of the applicable county clerks. Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to the Master Indenture as may be necessary or appropriate to include as security the Gross Receipts and other amounts pledged under the Master Indenture and under the Applicable Supplement. In addition, each Member of the Obligated Group has covenanted that it will prepare and file such financing statements or amendments to, or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to the Master Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to the Master Indenture. In particular, each Member of the Obligated Group covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to continue the security interest created under the Master Indenture pursuant to applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any such financing statement, the Master Trustee shall prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interest in Gross Receipts shall remain perfected.

(f) Each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture, the Applicable Supplement, the Applicable Obligations Series Certificate and in said Obligation according to the terms of the Master Indenture and thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise. (*Section 6.01*)

Covenants as to Corporate Existence, Maintenance of Properties, Etc.

Each Member of the Obligated Group covenants in the Master Indenture:

(a) Except as otherwise expressly provided in the Master Indenture, to preserve its corporate or other legal existence and all its material rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing in the Master Indenture shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) At all times to cause its Property in all material respects to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or

(ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing in the Master Indenture shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding under the Master Indenture) whose validity, amount or collectability is being contested in good faith.

(f) At all times to comply in all material respects with all terms, covenants and provisions of any Liens in all material respects at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits to operate its business; provided, however, that it need not comply with this section (g) if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) So long as the Master Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Outstanding Obligations which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, it shall not take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any such Outstanding Obligation becoming included in the gross income of the holder thereof for federal income tax purposes. (Section 6.02)

Insurance

Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate) covering such risks in such amounts and with such deductibles and co-insurance provisions as, in the judgment of its Governing Body, are adequate to protect it and its Property and operations.

The Corporation shall engage an Insurance Consultant to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially). If the Insurance Consultant makes recommendations for the increase of any coverage, the applicable Member of

the Obligated Group shall increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of such Member that such recommendations, in whole or in part, are in the best interests of the Obligated Group. If the Insurance Consultant makes recommendations for the decrease or elimination of any coverage, the Member of the Obligated Group may decrease or eliminate such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Corporation that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in this "Insurance" section to the contrary, each Member of the Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Corporation furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually. (*Section 6.03*)

Insurance and Condemnation Proceeds

(a) Unless otherwise provided in the Applicable Supplement, amounts that do not exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of the Applicable Supplement.

(b) Unless otherwise provided in the Applicable Supplement, amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards shall be applied to repair or replace the Property (either Property serving the same function or other Property that, in the judgment of the Governing Body, is of at least equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of the Applicable Supplement; provided, however, that such amounts may be used in such manner as the recipient may determine, if the recipient notifies the Master Trustee and within twelve (12) months after the casualty loss or taking, delivers to the Master Trustee;

(i) (A) An Officer's Certificate of the Corporation certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by pro forma

financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in subsection (i) of this section to be not less than 1.20, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level; and an Officer's Certificate of the Corporation certifying that the recipient will use such proceeds in accordance with the recommendations contained in the Consultant's report.

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii) of this section. (*Section 6.04*)

Limitations on Creation of Liens

Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it other than Permitted Liens.

Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment Lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any Liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the

amount or validity of which, are being contested and execution thereon is stayed or, with respect to Liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 180 days; and (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof;

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under the Master Indenture, which is set forth in this section or on Schedule A attached to the Master Indenture, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date of the Master Indenture, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture. Liens existing on the date of authentication and delivery of the initial Obligation includes the lien of Article 28 of the Transition Agreement and Article 42 of the Lease Agreement;

(vi) Any Liens of a new Member or a successor to an existing Member that is permitted to remain outstanding after such new Member or successor becomes a Member of the Obligated Group pursuant to the Master Indenture;

(vii) Any Lien securing Non-Recourse Indebtedness permitted by subsection (d) under the heading "Limitations on Indebtedness" herein;

(viii) Any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of the heading "Limitations on Indebtedness" herein, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations of the Master Indenture on creation of Liens on Property of the Obligated Group;

(ix) So long as no Event of Default exists under the Master Indenture, any Lien on accounts receivable and the proceeds from the sale thereof securing Indebtedness, which conforms to the limitations contained under the provisions of the heading "Limitations on Indebtedness" herein;

(x) Any Lien on Property which secures Indebtedness that does not exceed 20% of Net Property, Plant and Equipment as reflected in the most recent Audited Financial Statements;

(xi) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(xii) Any Lien in favor of a trustee or other agent on the proceeds of Indebtedness and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding Indebtedness;

(xiii) Any Lien securing all Senior Obligations on a parity basis or any Lien securing all Subordinate Obligations on a parity basis;

(xiv) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xv) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xvi) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group;

(xvii) Any lien on equipment incurred in connection with the lease or acquisition of same; and

(xviii) Any Lien on Excluded Property. (*Section 6.05*)

Limitations on Indebtedness

Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to any one of subsections (a) to (g), inclusive, of this section "Limitations on Indebtedness". Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections. Each Member of the Obligated Group further covenants and agrees that it will not incur any Additional Indebtedness without the written consent of the Corporation, as evidenced by an Officer's Certificate to be delivered to the Master Trustee prior to the incurrence of such Additional Indebtedness and a certified resolution of the Governing Board of such Member of the Obligated Group.

(a) Long-Term Indebtedness may be incurred without the need to meet any tests or provide certification to the Master Trustee if the aggregate principal amount of such Indebtedness does not exceed $2.5 million in any calendar year, or if, prior to incurrence of the Long-Term Indebtedness, there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Corporation certifying that:

(A) The cumulative principal amount of all then outstanding Long-Term Indebtedness incurred pursuant to this subsection (a)(i)(A), together with the Indebtedness then to be issued, does not exceed 20% of Net Property, Plant and Equipment as reflected in the most recently Audited Financial Statements, or

(B) The Long-Term Debt Service Coverage Ratio for each of the most recent two periods of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the Corporation for which there are Audited Financial Statements available taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.35; or

(ii) (1) An Officer's Certificate of the Corporation demonstrating that the Long-Term Debt Service Coverage Ratio for each of the two periods mentioned in subsection (a)(i)(B) of this section, excluding the proposed Long-Term Indebtedness, is at least 1.35 and (2) a written report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio, including the proposed Long-Term Indebtedness, is not less than 1.35 for (x) in the case of

Long-Term Indebtedness (other than a Guaranty) to finance Capital Additions, each of the two full Fiscal Years succeeding the date on which such Capital Additions are forecasted to be in operation, or (y) in the case of Long-Term Indebtedness not financing Capital Additions or in the case of a Guaranty, each of the two full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group are based; provided, however, that compliance with the tests set forth in this section (a)(ii) may be evidenced by a certificate of the Corporation in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in this subsection (a)(ii)(2) is equal to or greater than 1.50; provided, however, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness may be incurred if, prior to the incurrence of such Long-Term Indebtedness, (i) if the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness, there is delivered to the Master Trustee (A) an Officer's Certificate of the Corporation demonstrating that Maximum Annual Debt Service will not increase by more than 15% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii) if the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Corporation stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Applicable Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 15%.

(c) Short-Term Indebtedness may be incurred in the ordinary course of business subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed 20% of Total Operating Revenues as reflected in the Audited Financial Statements of the Obligated Group for the most recent period of twelve (12) consecutive months for which Audited Financial Statements are available; provided, however, that there shall be a period of at least thirty (30) consecutive calendar days during each such period of twelve (12) consecutive calendar months for which Audited Financial Statements are available during which Short-Term Indebtedness shall not exceed 5% of Total Operating Revenues. For purposes of this subsection (c), a Guaranty of Short-Term Indebtedness shall be valued at 20% of the aggregate principal amount of the Short-Term Indebtedness guaranteed so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles; provided that in the event such Guaranty shall be drawn upon, such Guaranty shall be valued at 100% of the aggregate principal amount of the Short-Term Indebtedness guaranteed. For the purpose of calculating compliance with the tests set forth in this subsection (c), Short-Term Indebtedness secured by accounts receivable shall not be taken into account except to the extent provided in subsection (f) of this section.

(d) Non-Recourse Indebtedness may be incurred without limit.

(e) Subordinate Obligations may be incurred with the same limits as Senior Obligations and subject to the terms of the Applicable Supplement or Applicable Obligations Series Certificate.

(f) Short-Term Indebtedness secured by accounts receivable may be incurred within the limitations imposed on the pledge or sale of accounts receivable provided by the last paragraph of this section "Limitations on Indebtedness"; provided that at the time of incurrence, the outstanding principal amount of such Short-Term Indebtedness is less than or equal to the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness. At any time that the outstanding principal amount of such Short-Term Indebtedness is greater than the fair market value of the accounts receivable pledged to secure such Short-Term Indebtedness, the excess amount shall be treated as Short-Term Indebtedness for the purposes of the tests set forth in subsection (c) of this section.

(g) Indebtedness may be incurred for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there shall be delivered to the Master Trustee (i) a certificate of the Corporation to the effect that the Corporation did reasonably expect at the time the initial Applicable Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the Capital Addition, (ii) the aggregate principal amount of such completion Indebtedness does not exceed twenty percent (20%) of the aggregate principal amount of the initial Applicable Indebtedness, and (iii) an architect's certificate to the effect that the proceeds of the completion Indebtedness will be sufficient to complete the Capital Addition; provided, that in addition to the foregoing, Indebtedness may also be incurred for the purpose of financing the completion of the acquisition or construction of the Children's Hospital project.

Indebtedness incurred pursuant to any one of subsections (a)(i) or a(ii) of this section "Limitations on Indebtedness" may be reclassified by the Corporation as indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a "put" or "tender" provision, pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity, shall not be considered Balloon Long-Term Indebtedness solely by reason of such "put" or "tender" provision, and the "put" or "tender" provision shall not be taken into account in testing compliance with any debt incurrence test pursuant to this section.

Accounts receivable of any Member or Members may be sold, pledged, assigned or otherwise disposed or encumbered in accordance with the Master Indenture in an aggregate amount not exceeding 50% of the three-month average outstanding accounts receivable of the Obligated Group that are one hundred and twenty days old or less as calculated in accordance with generally accepted accounting principles. If the Long-Term Debt Service Coverage Ratio is 2.00 or greater, the percentage of accounts receivable identified in the preceding sentence may be increased to 75%. The three-month average shall be calculated based on the month-end available balances for the three full calendar months immediately preceding the date on which such accounts receivable are sold, pledged, assigned or otherwise disposed of or encumbered. In the event of such sale, pledge, assignment or other disposition or encumbrance, upon the request and at the expense of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so sold, pledged, assigned or otherwise disposed of or encumbered. (*Section 6.06*)

Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Sale of Accounts; Unsecured Loans to Non-Members

(a) Each Member of the Obligated Group agrees that it will not transfer Property, other than cash, marketable securities or other liquid investments, all of which shall be subject to the limitations in

subsection (b) of this section, in any Fiscal Year (or other twelve-month period for which Audited Financial Statements are available) except for transfers of Property:

(i) To any Person provided such Property has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property.

(ii) To another Member of the Obligated Group without limit.

(iii) To any Person provided there shall be delivered to the Master Trustee prior to such Transfer an Officer's Certificate certifying that the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Audited Financial Statements have been reported upon by independent certified public accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.20 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place.

(iv) To any Person if the aggregate Book Value of the Property Transferred pursuant to this subsection (iv) in the current Fiscal Year does not exceed 10% of the Book Value of all Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year.

(v) To any Person if the Property Transferred pursuant to this subsection (v) was transferred in the ordinary course of business, and at fair and reasonable terms, no less favorable to the Member of the Obligated Group, which could have been attained in a comparable arms-length transaction; provided further, however, that the proceeds from such Property Transferred are used only to acquire Property or to repay Long-Term Indebtedness.

(vi) To a Person which at the time of the Transfer is not a Member of the Obligated Group or successor corporation pursuant to a merger or consolidation permitted by the Master Indenture, without limit, if such Person or successor corporation shall, at the time of such Transfer, become a Member of the Obligated Group pursuant to the Master Indenture.

(b) Each Member of the Obligated Group will not donate, transfer, exchange or otherwise dispose of cash, marketable securities or other liquid investments to any Person other than a Member of the Obligated Group, unless (i) immediately subsequent to any such donation, transfer, exchange or disposition the combined Days-Cash-On-Hand of the Members of the Obligated Group shall at least equal fifty (50), (ii) the cash and marked-to-market value of marketable securities and other liquid investments so transferred during the preceding twelve-month period does not exceed twenty percent (20%) of the Obligated Group's unencumbered cash, marketable securities and other liquid investments as of the date of calculation, and (iii) the Current Ratio immediately following such transfer shall not be less than 1:1; provided, however, such conditions shall not apply if such transfer complies with the provisions of subsection (a)(v) above. Notwithstanding the foregoing, assets may always be shifted among cash, marketable securities and other liquid investments.

(c) Any Member of the Obligated Group will have the right to sell, pledge, assign or otherwise dispose of its accounts receivable, with or without recourse, if such Member of the Obligated Group shall receive as consideration for such sale, pledge, assignment or other disposition cash, services or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master

Trustee in an Officer's Certificate of such Member of the Obligated Group and if such sale, pledge, assignment or other disposition meets the limitations contained in the last paragraph under the heading "Limitations on Indebtedness" herein regarding the aggregate limit on the pledge, sale or other disposition or encumbrance of accounts receivable. (*Section 6.08*)

Consolidation, Merger, Sale or Conveyance

(a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture, any Applicable Supplement to the Master Indenture and any Obligations Series Certificate; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Indenture, any Supplement and any Obligations Series Certificate; and

(iii) If all amounts due or to become due on any Outstanding Obligations which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Outstanding Obligation, would not adversely affect the exclusion of interest payable on such Outstanding, Obligation from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Corporation demonstrating that if such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available, the Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.10.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, as a Member of the Obligated Group pursuant to the Master Indenture, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable under the Master Indenture; and upon the order of such successor corporation and subject to all the terms, conditions and limitations prescribed in the Master Indenture, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee in exchange for and upon surrender of existing Obligations. All Outstanding Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same security position and benefit under the Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as

though all of such Obligations had been issued under the Master Indenture without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance, such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under the Master Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subparagraph (a)(iv) of this section has been delivered, the Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this section and that it is proper for the Master Trustee under the provisions of Article VI of the Master Indenture and of this section to join in the execution of any instrument required to be executed and delivered by this section.

(e) All references in the Master Indenture to successor corporations shall be deemed to include the surviving corporation in a merger. (*Section 6.09*)

Filing of Audited Financial Statements, Certificate of No Default, Other Information

The Obligated Group covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than one hundred fifty (165) days after the end of each Fiscal Year, file with the Municipal Securities Rulemaking Board, the Master Trustee, the County each Credit Facility Issuer, each Facility Provider, each Rating Service(s) and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited FinancialStatements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and shall include such statements necessary for a fair presentation of financial position, statement of activity and changes in net assets and cash flows of such fiscal reporting period.

(b) Within thirty (30) days after receipt of the audit report mentioned above but in no event later than one hundred fifty (165) days after the end of each fiscal reporting period, file with the MSRB, the Master Trustee, the County, each Credit Facility Issuer, each Facility Provider, each Rating Service(s) and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate and a report of independent certified public accountants stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(c) Within sixty (60) days after the last day of each of the first three quarters in each fiscal year, file with the MSRB, the Master Trustee, County, each Credit Facility Issuer, each Facility Provider, each Rating Service(s) and with each holder who is the registered owner of in excess of an aggregate $1 million principal amount of Bonds or on whose behalf the Master Trustee may have so requested, the following information: (A) the unaudited financial statements of the Obligated Group, including the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flows, (B) utilization statistics of the Obligated Group for such quarter, including aggregate discharges per facility, patient days, average length of stay, average daily census, emergency room visits, ambulatory

surgery visits and home care visits (if applicable), and (C) discharges of the Obligated Group by major payor mix for such quarter.

(d) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee, the County, each Credit Facility Issuer, each Rating Service(s), and each Facility Provider such other financial statements and information concerning its operations and financial affairs (including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee, each Credit Facility Issuer and each Facility Provider may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours.

(e) Within thirty (30) days after its receipt thereof, file with the Master Trustee, the County, and each Rating Service(s) a copy of each report which any provision of the Master Indenture requires to be prepared by a Consultant or an Insurance Consultant. (*Section 6.10*)

Parties Becoming Members of the Obligated Group

Persons which are not Members of the Obligated Group may, with the prior written consent of the Corporation, and corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted under the heading "Consolidation, Merger, Sale or Conveyance" herein shall, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under the Master Indenture, each Supplement and each Obligations Series Certificate and thereby become subject to compliance with all provisions of the Master Indenture, each Supplement and each Obligations Series Certificate, and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Indenture, (ii) to adopt the same Fiscal Year as that of the Corporation, and (iii) unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding under the Master Indenture will be paid in accordance with the terms thereof and of the Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this section shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee and each Credit Facility Issuer, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances.

(c) If all amounts due or to become due on any Outstanding Obligations which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there shall be filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Outstanding Obligations from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of any such Outstanding Obligations under the Securities Act of 1933, as amended, or the qualification of the Master Indenture and all Supplements thereunder

pursuant to the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(d) After giving effect to the admission of such Person as a Member of the Obligated Group, the combined general fund net assets of such Person (or the excess of such Person's assets over its liabilities, as the case may be) and the general fund net assets (plus the excess of assets over liabilities. if applicable) of the Obligated Group is not less than 80% of the general fund net assets (plus the excess of assets over liabilities, if applicable) of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person shall become a Member of the Obligated Group.

(e) Any Indebtedness previously incurred by a new Member of the Obligated Group shall be permitted to remain outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect if such Indebtedness, lien or security interest could have been created pursuant to the provisions outlined under the headings "Limitations on Creation of Liens" and "Limitations on Indebtedness" herein immediately after such Person became a Member of the Obligated Group. (*Section 6.11*)

Withdrawal from the Obligated Group

(a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Corporation and provided further, that prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Outstanding Obligation which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there shall be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Outstanding Obligation, would not cause the interest payable on such Outstanding Obligation to become includable in the gross income of the recipient thereof under the Code;

(ii) (A) An Officer's Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that the conditions described in subsection (a)(i)(B) under the heading "Limitations on Indebtedness" herein have been satisfied for the incurrence of an additional one dollar ($1.00) of Additional Indebtedness, assuming such withdrawal to have occurred at the beginning of the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available; (B) an Officer's Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available (x) would not, if such withdrawal had occurred at the beginning of such period, be reduced by more than 35%; provided, however, that in no event shall such ratio be reduced to less than 1.20 or (y) would be greater than in the absence of such withdrawal; (C) an Officer's Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that after giving effect to the exit of such Member of the Obligated Group, the general fund balance of the Obligated Group is not less than 90% of the general fund balance of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Member of the Obligated Group will be leaving the Obligated Group; (D) a written report of a Consultant demonstrating that the forecasted average Long-Term Debt Service Coverage Ratio for the two periods of 12 full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.35; provided, however, that compliance with the test set forth in this

clause (D) above may be evidenced by an Officer's Certificate of the Corporation in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio for each of the two periods of twelve (12) full consecutive calendar months succeeding the proposed date of such withdrawal is equal to or greater than 2.00 and not less than 65% of what it would have been were such withdrawal not to take place, assuming such withdrawal had occurred on the first day of the most recent twelve-month period for which Audited Financial Statements of the Obligated Group are available; and (E) after giving affect to the withdrawal of such Member, no Member of the Obligated Group will be in default in the performance of any covenant contained in the Master Indenture; and

(iii) An Opinion of Counsel, addressed and satisfactory to the Master Trustee, and each Credit Facility Issuer to the effect that such withdrawal is authorized by and complies with all Governmental Restrictions and the provisions of the Master Indenture, the Supplements, the Obligations Series Certificates and any agreements or other documents relating to the Master Indenture, the Supplements, the Obligation Series Certificates and the Obligations.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this section, any Guaranty by such Member pursuant to the Master Indenture shall be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall cease.

(c) Notwithstanding any provision of the Master Indenture to the contrary, the Corporation may not withdraw from the Obligated Group. (*Section 6.12*)

Required Ratios

(a) Except as otherwise provided in the Master Indenture, the Obligated Group shall maintain the Required Ratios. The Required Ratios will be tested semi-annually based on the Obligated Group's unaudited financial statements as of June 30 and based on audited financial statements as of December 31 of each year. The Corporation shall deliver an Officer's Certificate not later than sixty (60) days following each June 30 and not later than one hundred and twenty (120) days after each December 31 to the Master Trustee, certifying as to the compliance with Required Ratios or the Section under the Master Indenture pursuant to which either one of the Required Ratios was allowed to remain unsatisfied.

(b) If the Long-Term Debt Service Coverage Ratio is less than 1.25 or the Cushion Ratio is less than 1.25 then the Obligated Group shall within seventy-five (75) days of the end of such fiscal quarter, (i) prepare a scope of work for a Consultant in form and content acceptable to the County and the Master Trustee, (ii) retain a Consultant acceptable to the County and the Master Trustee, (iii) require such Consultant, within fifteen (15) days of its appointment, to commence work on a report to be delivered to the Obligated Group and the County and the Master Trustee recommending changes with respect to the operation and management of the Obligated Group's facilities and (iv) to the extent permitted by law, implement such Consultant's recommendation in a timely manner. Any report of a Consultant prepared within the previous 12-month period pursuant to this section "Required Ratios" shall, if meeting the requirements of clause (iii) above, be deemed to satisfy the foregoing requirement to procure a Consultant's report.

(c) For so long as the Obligated Group is not in compliance with the Required Ratios, the Corporation shall deliver to the County and the Master Trustee (i) within thirty (30) days of delivery of a Consultant's report pursuant to paragraph (b) above, a certified copy of a resolution adopted by the Obligated Group's Governing Body accepting such report on behalf of itself and the other Members of the Obligated Group and a report setting forth in reasonable details the steps the Obligated Group

proposes to take to implement the recommendations of such Consultant, and (ii) quarterly reports showing the progress made by the Obligated Group in achieving compliance with the Required Ratios and, if applicable, implementing the recommendations of the Consultant.

(d) If the Obligated Group shall fail to maintain the Required Ratios as required by paragraph (a) above, the Obligated Group shall nonetheless be considered to be in compliance with this section so long as the Obligated Group has satisfied the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the Master Trustee. If the Obligated Group shall fail (i) to provide the Governing Body Officer's Certificate required by paragraph (a) above or (ii) to satisfy the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the County and the Master Trustee, the County and the Master Trustee shall be entitled to notify the members of the Obligated Group's Governing Body and of each Member's Governing Body of such noncompliance, and to enforce the provisions of this section by specific performance. In no event, however, shall failure to satisfy the provisions of this section constitute an Event of Default under the Master Indenture, it being understood that the sole remedies for noncompliance shall be the right of the County and the Master Trustee to seek specific performance and/or to notify the members of the Governing Bodies of each Obligated Group Member as aforesaid. (*Section 6.13*) See also "SUPPLEMENTAL INDENTURE - Supplements to Master Indenture relating to Series 2016 Bonds"

Events of Default

"Event of Default as used in the Master Indenture, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest on any Obligation issued and Outstanding under the Master Indenture when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture, the Applicable Supplement or the Applicable Obligations Series Certificate. For purposes of this subsection (a), a payment by the County or Credit Facility Provider shall be deemed a payment by the Members of the Obligated Group;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under the Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding or by the County or any Credit Facility Issuer, if any, with respect to an Obligation; provided, however, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected:

(c) (i) Any Member of the Obligated Group shall fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding under the Master Indenture), which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year, whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or (ii) there shall occur an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness is in an aggregate principal amount greater than two percent (2%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument and, as a result of such failure

to pay or other event of default, such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this section if within thirty (30) days (y) written notice is delivered to the Master Trustee, signed by the Corporation, that such Member of the Obligated Group is contesting the payment of such Indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith shall commence proceedings to contest the obligation to pay such Indebtedness or (z) if a judgment relating to such Indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness:

(d) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee or sequestrator (or other similar official) of such Member or of any substantial pan of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(e) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due. (*Section 7.01*)

Acceleration; Annulment of Acceleration; Cure by County

(a) Upon the occurrence and during the continuation of an Event of Default under the Master Indenture, the Master Trustee may and, upon the written request of the Holders (subject to the provisions of "Holders' Control of Proceedings" below) of not less than 25% in aggregate principal amount of all Senior Obligations Outstanding, shall, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable. So long as a County Guaranty is in effect, the Subordinate Obligations which are benefited by a County Guaranty are not subject to acceleration upon the occurrence of an Event of Default without the approval of the County. In the event Obligations are accelerated, there shall be due and payable on such Obligations, subject to the priority of payments set forth under the heading "Application of Moneys after Default" below, an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then

payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied, or waived pursuant to the provisions of "Waiver of Event of Default" below, then the Master Trustee may, and upon the written request of Holders (subject to the provisions of "Holders' Control of Proceedings" below) of not less than 25% in aggregate principal amount of the Senior Obligations then Outstanding (or if no Senior Obligations are any longer Outstanding, then the Holders of not less than 25% in aggregate principal amount of the Subordinate Obligations Outstanding) shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

(c) Upon the occurrence of an Event of Default under the Master Indenture, the County shall have the right (but not the obligation) to cure or cause to be cured such Event of Default. Any such cure by the County shall be on the same terms and conditions as if the Obligated Group had cured such Event of Default under subsection (b) of this section. (*Section 7.02*)

Additional Remedies and Enforcement of Remedies

(a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders (subject to the provisions of "Holders' Control of Proceedings" below) of not less than 25% in aggregate principal amount of the Obligations Outstanding to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the County, any Credit Facility Issuer and/or the Holders under the Master Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the County, any Credit Facility Issuer and/or the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if such Person were the trustee of an express trust for the County, any Credit Facility Issuer and/or the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the County, any Credit Facility Issuer and/or the Holders:

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of New York, and

(vi) Enforcement of any other right of the County, any Credit Facility Issuer and/or the Holders conferred by law or by the Master Indenture.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders (subject to the provisions of "Holders' Control of Proceedings" below) of not less than 25% in aggregate principal amount of the Senior Obligations then Outstanding (or if no Senior Obligations are any longer Outstanding, then the Holders of not less than 25% in aggregate principal

amount of the Subordinate Obligation Outstanding) shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of each Credit Facility Issuer and/or the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of each Credit Facility Issuer and/or the Holders not making such request.

(c) Upon the occurrence of an Event of Default, the Master Trustee may realize upon any security interest which the Master Trustee may have in Gross Receipts and shall establish and maintain a Gross Receipts Fund into which shall be deposited all Gross Receipts as and when received. All amounts deposited into the Gross Receipts Fund shall be applied by the Master Trustee or made available to any Paying Agent for application pursuant to the provisions under the heading "Application of Moneys after Default" herein. Pending such application, all such moneys and investments in the Gross Receipts Fund shall be held for the equal and ratable benefit of all Obligations outstanding in order of their priority and subject to the provisions under the heading "Application of Moneys after Default" herein; provided, that amounts held in the Gross Receipts Fund for making of debt service payments on or after the due date for Obligations shall be reserved and set aside solely for the purpose of making such payment. In addition, with regard to Gross Receipts, the Master Trustee may take any one or more of the following actions: (i) during normal business hours enter the offices or facilities of any Member of the Obligated Group and examine and make copies of the financial books and records of the Member relating to the Gross Receipts and take possession of all checks or other orders for payment of money and moneys in the possession of the Members of the Obligated Group representing Gross Receipts or proceeds thereof; (ii) notify any account debtors obligated on any Gross Receipts to make payment directly to the Master Trustee; (iii) following such notification to account debtors, collect, or, in good faith, compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from each Member's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) forbid any Member to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Receipts, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (v) endorse in the name of the applicable Member any checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof. (*Section 7.03*)

Application of Moneys after Default

During the continuance of an Event of Default, all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article shall be applied, (i) after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee pursuant to Section 8.05 of the Master Indenture, and (ii) by the Master Trustee in the priority set forth below:

(a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

> First: To the payment to the Persons entitled thereto of all installments of interest then due on Senior Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest coming due on Senior Obligations maturing on the same date, then to the payment thereof ratably,

according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Senior Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full the unpaid principal of all Senior Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference;

Third: To the extent there exists a Credit Facility Issuer of any Senior Obligations, to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group with respect to such Senior Obligations and not otherwise paid under clauses First and Second above;

Fourth: To the payment to the Persons entitled thereto (to the extent not paid pursuant to the County Guaranty) of all installments of interest then due on Subordinate Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest due on Subordinate Obligations maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Fifth: To the payment to the Persons entitled thereto (to the extent not paid pursuant to the County Guaranty) of the unpaid principal installments of any Subordinate Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full the unpaid principal of all Subordinate Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference;

Sixth: To the extent there exists a Credit Facility Issuer of any Subordinate Obligations, to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group with respect to such Subordinate Obligations and not otherwise paid under clauses Fourth and Fifth above; and

Seventh: To the extent there exists a County Guaranty of any Subordinate Obligations, to the payment of amounts owed to the County by the Obligated Group and not otherwise paid.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment of the principal and interest then due and unpaid upon Senior Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Obligation over any other Senior Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference;

Second: To the payment of the principal and interest then due and unpaid upon Subordinate Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Obligation over any other Subordinate Obligation, ratably, according to the amounts

due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference;

Third: To the extent there exists a Credit Facility Issuer of any Senior Obligations to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clause First above;

Fourth: To the extent there exists a Credit Facility Issuer of any Subordinate Obligations, to the payment of amounts owed to such Credit Facility Issuer by the Obligated Group and not otherwise paid under clause Second above; and

Fifth: To the extent there exists a County Guaranty of any Subordinate Obligations, to the payment of amounts owed to the County by the Obligated Group and not otherwise paid.

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this section in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this section, such moneys shall be applied by it at such times, and from time to time, but subject to the priorities established under subsections (a) and (b) above, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Moneys held in the Gross Receipts Fund shall be invested in Government Obligations, which mature or are redeemable at the option of the holder not later than such times as shall be required to provide moneys needed to make the payments or transfers therefrom. Unless otherwise provided in this Indenture, the Master Trustee shall sell or present for redemption, any Government Obligation so acquired whenever it shall be necessary to do so to provide moneys to make payments or transfers from the Gross Receipts Fund. The Master Trustee shall not be liable or responsible for making any such investment in the manner provided above and shall not be liable for any loss resulting from any such investment. Any investment income derived from any investment of moneys on deposit in the Gross Receipts Fund shall be credited to the Gross Receipts Fund and retained therein until applied to approved purposes.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section, all obligations owing to any Credit Facility Issuer, the County and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct. (*Section 7.04*)

Remedies Not Exclusive

No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Indenture or existing at law or in equity or by statute on or after the date of the Master Indenture. (*Section 7.05*)

Remedies Vested in the Master Trustee

All rights of action (including the right to file proof of claims) under the Master Indenture or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of "Application of Moneys after Default" above, any recovery or judgment shall be for the equal benefit of the Holders. (*Section 7.06*)

Holders' Control of Proceedings

If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of Senior Obligations then Outstanding or, if no Senior Obligations remain Outstanding, then the Holders of not less than a majority in aggregate principal amount of Subordinate Obligations, shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture, provided that such direction is not in conflict with any applicable law or the provisions of the Master Indenture, and is not unduly prejudicial to the interest of any Holders (excluding Subordinate Obligation holders) not joining in such direction, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, in the sole judgment of the Master Trustee, and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by the Holders; provided, further, however, that each Credit Facility Issuer that has not defaulted under the Applicable Credit Facility, or the County so long as it has not defaulted under a County Guaranty, with regard to an Applicable Obligation or Series of Obligations, and not the Holders, shall have the right to control proceedings with respect thereto in the manner described in Article VII of the Master Indenture. (*Section 7.07*)

Termination of Proceedings

In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to each Credit Facility Issuer, the County and/or the Holders, then the Members of the Obligated Group, the Master Trustee and each Credit Facility Issuer, the County and/or the Holders shall be restored to their former positions and rights under the Master Indenture, and all rights, remedies and powers of the Master Trustee and each Credit Facility Issuer, the County and/or the Holders shall continue as if no such proceeding had been taken. (*Section 7.08*)

Waiver of Event of Default

(a) No delay or omission of the Master Trustee or the County or of each Credit Facility Issuer and/or any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the County and each Credit Facility Issuer and/or the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee, with the consent of the Credit Facility Issuer, if any, or the County, of any Applicable Series of Obligations may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture.

(c) Notwithstanding anything contained in the Master Indenture to the contrary, the Master Trustee, upon the written request of the Holders (subject to the provisions under the heading "Holders' Control of Proceedings" herein) of not less than a majority of the aggregate principal amount of Senior Obligations then Outstanding (or if no Senior Obligations are any longer Outstanding, then the Holders of not less than a majority in aggregate principal amount of the Subordinate Obligation Outstanding), shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) under the heading "Acceleration; Annulment of Acceleration; Cure by County" herein, a default in the payment of the principal of, premium, if any, or interest on any Senior Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders (subject to the provisions under the heading "Holders' Control of Proceedings" herein) of all the Senior Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default under the Master Indenture, the Members of the Obligated Group, the Master Trustee, the County and each Credit Facility Issuer and/or the Holders shall be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. (*Section 7.09*)

Appointment of Receiver

Upon the occurrence of any Event of Default described in subsection (a), (e) or (f) under the heading "Events of Default" herein, unless the same shall have been waived as provided in the Master Indenture, the Master Trustee shall be entitled as a matter of right if it shall so elect but only with the prior written consent of the County during the term of the County Guaranty, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance of the Master Indenture or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee, the County or each Credit Facility Issuer and/or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Each Member of the Obligated Group, respectively, consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Master Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds

therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver. (*Section 7.10*)

Remedies Subject to Provisions of Law

All rights, remedies and powers provided by Article VII of the Master Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of such Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions of the Master Indenture invalid or unenforceable under the provisions of any applicable law. (*Section 7.11*)

Notice of Default

The Master Trustee shall, within ten (10) days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to each Credit Facility Issuer, the Rating Service(s), the County and all Holders, as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) under the heading "Events of Default" herein, the Master Trustee shall be protected in withholding such notice (but not with respect to notice to the County) if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Credit Facility Issuer and the Holders. (*Section 7.12*)

Appointment of Statutory Trustee

(a) Any provision of the Master Indenture to the contrary notwithstanding, upon payment of any amounts by the County to the Trustee for deposit in the Subordinate Bonds Account of the Debt Service Reserve Fund, and continuing until the date which is one (1) year after no such amounts shall remain unreimbursed to the County (whether pursuant to the Second Supplement or otherwise), the County shall be entitled as a matter of right if it shall so elect (but only so long as the County is not in default under the Guaranty Agreement in payment of amounts required to be paid by the County for deposit in the Subordinate Bonds Account of the Debt Service Reserve Fund) forthwith to act, through and by its Commissioner of Finance (or his or her designee) or any other designee of the County, or to designate any individual to act, as a trustee appointed pursuant to Section 3309 of the Act and having all of the rights and remedies (including, without limitation, the right to the appointment of a receiver of all of the Property of the Corporation and each other Member of the Obligated Group) that are described in said Section 3309.

(b) By its acceptance of the Subordinate Bonds, each Holder from time to time of the Subordinate Bonds (i) agrees that upon such election by the County, the Holders of the Subordinate Bonds shall be deemed for all purposes to have irrevocably made such appointment of the County (acting through and by its Commissioner of Finance or his or her designee), or any other designee of the County, as such trustee, and (ii) irrevocably appoints the Commissioner of Finance of the County as the agent or attorney-in-fact of such Holder for the purposes of preparing, acknowledging and filing; any and all instruments of appointment and written requests required or contemplated of bondholders under or pursuant to Section 3309 of the Public Authorities Law.

(c) Each Member of the Obligated Group, respectively, consents and agrees, to the appointment of the County (acting through and by its Commissioner of Finance or his or her designee), or any other designee of the County, to act as such trustee having the right, inter alia, to the appointment a 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.

(d) The rights granted to the County to the appointment of a receiver under Section 3309 of the Act is not intended (i) to modify the security or the pledge created by the section of the Master Indenture summarized under the heading "Security; Restrictions on Encumbering Property; Joint and Several Obligation", or the rights of the Master Trustee under specified sections of the Master Indenture, or (ii) to modify the financial obligations of the Obligated Group as set forth under specified sections of the Supplements. (*Section 7.16*)

Supplements Not Requiring Consent of Holders

Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders enter into one or more Supplements for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Master Indenture.

(b) To correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not materially and adversely affect the interests of the Holders.

(c) To grant or confer ratably upon all of the Holders of Senior Obligations and/or Subordinate Obligations any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of subsection (a) under the heading "Supplements Requiring Consent of holders" below.

(d) To qualify the Master Indenture or any Supplement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) Subject to satisfaction of the conditions established therefor in Article VI of the Master Indenture, to create and provide for the issuance of Indebtedness as permitted under the Master Indenture, so long as no Event of Default has occurred and is continuing under the Master Indenture.

(f) To obligate a successor to any Member of the Obligated Group as provided under the heading "Parties Becoming Members of the Obligated Group" herein.

(g) To comply with the provisions of any federal or state securities law.

(h) So long as no Event of Default has occurred and is continuing under the Master Indenture, and so long as no event which with notice or the passage of time or both would become an Event of Default under the Master Indenture has occurred and is continuing, to make any change to the provisions of the Master Indenture (except as set forth below) if the following conditions are met:

(i) the Corporation delivers to the Master Trustee prior to the date such amendment is to take effect either (A)(1) a Consultant's report to the effect that the proposed amendment is consistent with then current industry standards for comparable institutions and (2) an Officer's Certificate of the Corporation (acting on behalf of the Obligated Group) demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 consecutive calendar months preceding the date of delivery of the report for which there are Audited Financial Statements available was at least 1.75; or (B) evidence satisfactory to the Master Trustee to the effect that (i) if required by the terms of the Applicable Supplement or the Applicable Obligations Series Certificate, there exists for each Senior Obligation, a Credit Facility or for each Subordinate Obligation, a County Guaranty, and (ii) evidence satisfactory to the Master Trustee from each Rating Service then rating any Obligation described in subsection (B)(i) above that, on the date the proposed change is to take effect, the rating(s) assigned to each such Obligation will not be lower than the ratings applicable to such Obligation on the day prior to the effective date of such change;

(ii) the County and each Credit Facility Issuer of any Obligation or Series of Obligations that may be affected by the proposed amendment, supplement or modifications shall consent in writing to such amendment, supplement or modification; and

(iii) with respect to each Applicable Obligation or Series of Obligations then Outstanding under the Master Indenture, the interest on which is excluded from federal income taxes under the Code, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any such Obligation or Series of Obligations or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Obligation or Series of Obligations would otherwise be entitled.

provided, however, that no amendment shall be made pursuant to this clause (h) which would have the effect, directly or indirectly, of changing or providing an alternative to (1) any provision of the Master Indenture requiring the maintenance or demonstration of a Long-Term Debt Service Coverage Ratio, except to reduce such ratio, but in no event shall such ratio be reduced to less than 1.10 (or less than 1.00 if Governmental Restrictions make it impossible for a Long-Term Debt Service Coverage Ratio of at least 1.10 to be maintained or demonstrated), (2) the definition of any term used in the calculation of the Long-Term Debt Service Coverage Ratio, Current Ratio, Cushion Ratio or Days' Cash on Hand or the amount of Long-Term Indebtedness or Short-Term Indebtedness, or the definitions of Affiliate, Audited Financial Statements, Book Value, Non-Recourse Indebtedness, Operating Assets, Property, Plant and Equipment or Total Operating Revenues, or (3) certain specified Sections and subsections of the Master Indenture. (*Section 9.01*)

Supplements Requiring Consent of Holders

(a) Other than Supplements referred to in the foregoing section and subject to the terms and provisions and limitations contained in Article IX of the Master Indenture and not otherwise, the Holders of not less than 51% in aggregate principal amount of Senior Obligations (or Subordinate Obligations if so affected) then Outstanding shall have the right, with consent of each Credit Facility Issuer insuring such Senior Obligations from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the

Master Indenture; provided, however, nothing in this section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of each Holder of such Obligation;

(ii) Permit the preference or priority not previously agreed to of any Obligation over any other Obligation, without the consent of the Holders of each Obligation then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of each Obligation then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this section, which request is accompanied by a copy of the resolution or other action of its respective Governing Body certified by its secretary or assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement and if within such period, not exceeding three years, as shall be prescribed by each Member of the Obligated Group following the request, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) of this section for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by the Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as in the Master Indenture provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof. (*Section 9.02*)

Execution and Effect of Supplements

(a) In executing any Supplement permitted by Article IX of the Master Indenture, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted by the Master Indenture. The Master Trustee may but shall

not be obligated to enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Supplement in accordance with Article IX of the Master Indenture, the provisions of the Master Indenture shall be modified in accordance therewith and such Supplement shall form a part of the Master Indenture for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered under the Master Indenture shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the issuer of such Obligation or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement. If the Corporation (acting on behalf of the Obligated Group) or the Master Trustee shall so determine, new Obligations, modified so as to conform (in the opinion of the Master Trustee and the Corporation) to any such Supplement may be prepared and executed by the Corporation (acting on behalf of the Obligated Group) and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding. (*Section 9.03*)

Credit Facility Issuer as Holder

If a Credit Facility Issuer has issued a Credit Facility for any Applicable Obligations, and provided that no Credit Facility Default has occurred and is continuing in connection therewith, such Credit Facility Issuer shall be deemed the Holder of such Applicable Obligations for purposes of Article IX of the Master Indenture and such other purposes as may be set forth in the Applicable Supplement or the Applicable Obligations Series Certificate. (*Section 9.04*)

Satisfaction and Discharge of Indenture

If (i) the Obligated Group shall deliver to the Master Trustee for cancellation an Obligation or all Obligations of a Series theretofore authenticated pursuant to the Master Indenture and the Applicable Supplement (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) an Obligation or all Obligations of a Series not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money and/or Defeasance Securities sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) an Obligation or all Obligations of a Series that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture and under the Applicable Supplement, Applicable Obligations Series Certificate and Applicable Obligations by the Members of the Obligated Group or any thereof, then the Master Indenture, as and to the extent it applies to the Applicable Obligation or Series of Obligations and the Applicable Supplement, shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture, as and to the extent it applies to the Applicable Obligation or Series of Obligations and the Applicable Supplement. Each Member of the Obligated Group, respectively, agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Indenture, as and to the extent it applies to the Applicable Obligation or Series of Obligations and the Applicable Supplement. (*Section 10.01*)

Payment of Obligations after Discharge of Lien

Notwithstanding the discharge of the lien of the Master Indenture as provided in Article X thereof, the Master Trustee shall nevertheless retain such rights, powers and duties under the Master Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Applicable Obligation or Series of Obligations and the registration, transfer, exchange and replacement of the Applicable Obligation or Series of Obligations as provided in the Master Indenture.

Nevertheless, any moneys held by the Master Trustee or any Paying Agent for the payment of the principal of, premium, if any, or interest on the Applicable Obligation or Series of Obligations remaining unclaimed for five years after the principal of the Applicable Obligations or Series of Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided in the Master Indenture, shall then be paid to the Members of the Obligated Group, as their interests may appear, and the Holders of any Obligations not theretofore presented for payment shall thereafter be entitled to look only to the Members of the Obligated Group for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease. (*Section 10.02*)

SUPPLEMENTAL INDENTURE

Establishment of Funds and Accounts; Pledge Thereof

(a) The following fund has heretofore been authorized and established by Section 5.01 of the Master Indenture, and within such Fund the following account for the 2016 Obligation has been established, held and maintained by the Master Trustee:

1. Construction Fund – Series 2016 Bonds Account;

No Obligations other than the 2016 Obligation shall have any right to be paid from such account.

(b) All funds and accounts authorized by the Master Indenture and established hereby are hereby pledged and assigned to the Master Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the 2016 Obligation and as security for the performance of any other obligation of the Obligated Group under the Master Indenture and under this Eleventh Supplement.

(c) All moneys at any time deposited in any fund, account or subaccount created and pledged hereby, shall be held in trust for the benefit of the Holders of the 2016 Obligation, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided herein and in the Master Indenture.

(d) The 2016 Obligation shall be additionally secured by a mortgage (the "Mortgage") on the Corporation's (i) leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, by and between the County and the Corporation (the "Lease Agreement") of real property upon which the facilities constituting the Health Care Facilities of the Westchester Medical Center are located and (ii) fee interest in Health Care Facilities at MidHudson Regional Hospital in Poughkeepsie, New York, with all proceeds realized from the Mortgage to be applied proportionately and ratably to all Obligations issued under the Master Indenture. The rights of Master Trustee under the mortgages (including the Mortgage) granted or to be granted to the Master Trustee by any Members, with respect to the mortgaged property are and shall be *pari passu*, without preference or priority of any one Obligation over any other Obligation, with all proceeds realized from such mortgages (including the

Mortgage) to be applied proportionally and ratably to all Obligations issued and to be issued under the Master Indenture.

Application of Proceeds and Allocation Thereof

The Master Trustee shall deposit the portion of the proceeds of the sale of the Series 2016 Bonds transferred from U.S. Bank National Association, as bond trustee (the "Trustee") pursuant to that certain Indenture of Trust, dated as of March 1, 2016, between the Westchester County Local Development Corporation (the "Issuer") and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with Article VIII of the Master Indenture, and authorizing the issuance of the Series 2016 Bonds (the "Related Bond Indenture") in accordance with the written instructions of an Authorized Representative of the Corporation, into the Series 2016 Bonds Account of the Construction Fund.

Application of Moneys in the Construction Fund

(a) As soon as practicable after the receipt of the portion of the proceeds of the Series 2016 Bonds from the Trustee, the Master Trustee shall deposit such amount in the Construction Fund – Series 2016 Bonds Account.

(b) Moneys deposited in the Construction Fund – Series 2016 Bonds Account shall be disbursed by the Master Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Representative of the Corporation for such purposes as are determined by the Corporation, acting on behalf of the Obligated Group.

(c) Any proceeds of insurance, condemnation or eminent domain awards received by the Master Trustee or the Corporation with respect to any Health Care Facilities financed with the Series 2016 Bonds (or the portion of any such proceeds apportionable to the Series 2016 Bonds) shall be deposited in the Construction Fund – Series 2016 Bonds Account and, if necessary, such Account may be re-established for such purpose.

Supplements to Master Indenture relating to Series 2016 Bonds

For so long as any of the Series 2016 Bonds remain Outstanding, the Master Indenture is hereby supplemented:

(a) To add a new sub-paragraph (f) to Section 6.10 of the Master Indenture as follows:

The Corporation shall provide, no later than sixty (60) days subsequent to the last day of each of the first three quarters and no later than ninety (90) days subsequent to the last day of the fourth quarter in each fiscal year, to the Master Trustee, the MSRB and each Bondholder who is the registered owner of in excess of an aggregate $1 million principal amount of Series 2016 Bonds who has so requested, the following information: (a) the unaudited financial statements of the Corporation, including the balance sheet as of the end of such quarter, the statement of operations, changes to net assets and cash flows; (b) utilization statistics of the Corporation for such quarter, including aggregate discharges, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable); and (c) discharges of the Corporation by major payor mix for such quarter. Within three (3) days of receipt of such information, the Master Trustee shall provide such information to the MSRB. The Master Trustee shall be under no obligation to review the financial statements received under this Section for content and shall not be deemed to have knowledge of the content thereof. Furthermore, the Corporation will file with the MSRB on EMMA a notice or any direct

borrowing of $25,000,000 or more with a bank. The Corporation has agreed to provide the information set forth in this section as a matter of convenience and such agreement shall not be construed as an undertaking pursuant to SEC Rule 15c2-12.

(b) To amend and restate subsection (d) of Section 6.13 as follows:

(d) If the Obligated Group shall fail to maintain the Required Ratios as required by paragraph (a) above, the Obligated Group shall nonetheless be considered to be in compliance with this Section 6.13 so long as the Obligated Group has satisfied the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the Master Trustee. If the Obligated Group shall fail (i) to provide the Governing Body Officer's Certificate required by paragraph (a) above or (ii) to satisfy the requirements of paragraphs (b) and (c) above to the reasonable satisfaction of the County and the Master Trustee, the County and the Master Trustee shall be entitled to notify the members of the Obligated Group's Governing Body and of each Member's Governing Body of such noncompliance, and to enforce the provisions of this Section 6.13 by specific performance. Except as set forth in the last sentence of this Section 6.13(d), in no event, however, shall failure to satisfy the provisions of this Section 6.13 constitute an Event of Default under this Master Indenture, it being understood that the sole remedies for noncompliance shall be the right of the County and the Master Trustee to seek specific performance and/or to notify the members of the Governing Bodies of each Obligated Group Member as aforesaid. Notwithstanding the preceding sentence, a failure to maintain a Long-Term Debt Service Coverage Ratio of 1.00 shall be an Event of Default under 7.01(b).

DEFINITION OF CERTAIN TERMS

The following are definitions of certain terms used in the Master Indenture, the Supplemental Indenture and this Appendix:

"Act" means the Westchester County Health Care Corporation Act being Chapter 11 of the Consolidated Laws of the State of New York, 1997 (Title 1 of Article 10-C Public Authorities Law Section 3301 et seq.).

"Additional Indebtedness" means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of the Obligations authorized by the Corporation on October 4, 2000 in the aggregate principal amount of $294,450,000 (of which amount such resolution authorized $121,385,000 as Senior Bonds and $173,065,000 as Subordinate Bonds) to be issued under the Master Indenture, or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group.

"Affiliate" means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by the Corporation, by any other Affiliate or by any Person which directly or indirectly controls the Corporation or which directly or indirectly controls any other Affiliate. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

"Annual Debt Service" means the Long-Term Debt Service Requirement for the applicable twelve-month period.

"Applicable" means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund or Debt Service Reserve Fund, the fund so designated and established by an Applicable Supplement

authorizing an Applicable Series of Obligations, (ii) with respect to any Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Obligations by the Applicable Supplement or Series Certificate, (iii) with respect to any Supplement, the Supplement relating to a particular Series of Obligations, (iv) with respect to any Series of Obligations, the Series of Obligations issued under a Supplement for a Member, (v) with respect to any Member, the respective Member identified in the Applicable Supplement, (vi) with respect to an Obligation Series Certificate, such certificate authorized pursuant to an Applicable Supplement and (vii) with respect to any Credit Facility or Credit Facility Provider, the Credit Facility or Credit Facility Provider relating to a particular Series of Obligations.

"Arbitrage Rebate Fund" means each such fund so designated and established by the Applicable Supplement pursuant to the Master Indenture.

"Audited Financial Statements" means, as to any Member of the Obligated Group or as to the Obligated Group, financial statements for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants. Audited Financial Statements of the Obligated Group shall also mean, in an additional information section, unaudited combining financial statements for the same twelve-month period from which the accounts of any Affiliate which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not already included have been added.

"Authorized Newspaper" means *The Bond Buyer* or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Corporation.

"Authorized Representative" means the Chairman, Vice Chairman, President and Chief Executive Officer, and Chief Financial Officer, Treasurer, or Deputy Treasurer of the Corporation or such other officer of the Corporation as may be designated by the Corporation, and with respect to each Member of the Obligated Group, any person or persons designated an Authorized Representative of such Member in an Officer's Certificate of such Member of the Obligated Group, signed by the Chairperson of its Governing Body and filed with the Master Trustee.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness, other than a Demand Obligation, 25% or more of the principal amount of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

"Bond Year" means the year which commences and ends on the same date as the Fiscal Year of each Member.

"Book Entry Obligation" or "Book Entry Obligations" shall have the meaning given in the Master Indenture.

"Book Value" when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

"Capital Addition" means any addition, improvement or extraordinary repair to or replacement of any property of a Member of the Obligated Group, whether real, personal or mixed, the cost of which is properly capitalized under generally accepted accounting principles.

"Children's Hospital" means the proposed Children's Hospital and Trauma Center to be constructed by the Corporation as a Health Care Facility.

"Code" means the Internal Revenue Code of 1986, as amended.

"Construction Fund" means each such fund so designated and established by the Applicable Supplement pursuant to the Master Indenture.

"Consultant" means a firm or firms which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant of national repute for having the skill and experience necessary to render the particular report required by the provision of the Master Indenture in which such requirement appears and which is not unacceptable to the Master Trustee.

"Corporate Trust Office" means the office of the Master Trustee at which its principal corporate trust business is conducted, which at the date hereof is located in New York, New York.

"County" means Westchester County, New York.

"County Guaranty" means any agreement between the County and the Corporation relating to an Applicable Series of Obligations pursuant to which the County agrees to guarantee the payment of principal and interest on such Applicable Series of Obligations by means of the making of payments to the Master Trustee for deposit into the Applicable Debt Service Reserve Fund, as and to the extent that a withdrawal from the Applicable Debt Service Reserve Fund has caused such fund to be funded at less than the Applicable Debt Service Reserve Fund Requirement.

"County Lease" means that certain restated and amended lease agreement between the County and the Corporation dated as of December 30, 1998, as amended.

"Credit Facility" means a line of credit, letter of credit, guarantee, insurance policy or other credit enhancement facility including any municipal bond insurance policy issued and delivered to the Master Trustee, any of which insures payment of principal, interest and, if agreed to by the Credit Facility Issuer and the Corporation, redemption premium on the Obligation of any Series (but not including a County Guaranty) when due, all in accordance with the Applicable Supplement.

"Credit Facility Default" means with respect to a Credit Facility Issuer any of the following: (a) there shall occur a default in the payment of principal of or any interest on any Obligation by the Credit Facility Issuer when required to be made under the terms of the Credit Facility, (b) a Credit Facility shall have been declared null and void or unenforceable in a final determination by a court of law of competent jurisdiction, or (c) such Credit Facility Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of such Credit Facility Issuer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors.

"Credit Facility Issuer" means, with respect to any Series of Obligations for which a Credit Facility is held by the Master Trustee, the firm, association or corporation, including banking institutions, public bodies and governmental agencies, which has issued such Credit Facility in connection with such Series of Obligations, and the successor or assign of the obligations of such firm, association or corporation under such Credit Facility but shall not include the County.

"Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the last date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

"Cross-over Refunded Indebtedness" means Indebtedness refunded by Cross-over Refunding Indebtedness.

"Cross-over Refunding Indebtedness" means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such refunding Indebtedness or refunded Indebtedness until the Cross-over Date.

"Current Assets of the Obligated Group" means current assets as shown on the most recent Audited Financial Statements of the Obligated Group.

"Current Liabilities of the Obligated Group" means current liabilities as shown on the most recent Audited Financial Statements of the Obligated Group.

"Current Ratio" means the ratio of Current Assets of the Obligated Group over Current Liabilities of the Obligated Group.

"Cushion Ratio" means the ratio for the applicable twelve-month period, of cash and marketable securities, including Member governing board designated funds and plant and equipment funds, with the exception of amounts held in any self-insured retention fund and funds restricted by the donor or funds limited as to their use in connection with debt instruments, to the Annual Debt Service for the then current Fiscal Year, less any amount held in a debt service fund available to pay debt service.

"Days-Cash-On-Hand" means, for each Member, as of any date (i) the Member's unencumbered cash and marketable securities (valued at current market value) on such date, together with any moneys or securities deposited or escrowed for the payment of debt service on Indebtedness minus the aggregate principal amount of Short Term Indebtedness Outstanding on such date, divided by (ii) (a) for the twelve-month period ending on such date, operating expenses, minus depreciation and amortization and other non-cash charges, plus principal payments on Long-Term Indebtedness, divided by (b) 365. The principal payments on Long Term Indebtedness for such calculation shall include principal payments payable during such period by reason of maturity or sinking fund installment.

"Debt Service Fund" means the fund so designated, created and established pursuant to the Master Indenture.

"Debt Service Reserve Fund" means the fund so designated, created and established pursuant to the Master Indenture.

"Debt Service Reserve Fund Requirement" means, unless a lesser or greater amount is otherwise specified in the Applicable Supplement, as of any particular date of computation, an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of (i) interest on the Outstanding Obligations of a Series payable during such year, and (ii) the principal and the Sinking Fund Installments of such Obligations, except that if, upon the issuance of a Series of Obligations, such amount would require a deposit of moneys therein, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of such Series of Obligations, the Debt Service Reserve Fund Requirement shall mean an amount equal to the sum of the Debt Service Reserve Fund Requirement immediately preceding issuance of such Series of Obligations and the maximum amount permitted under the Code to be deposited therein from the proceeds of such Series of Obligations, as certified by an Authorized Officer of the Corporation.

"Defeasance Security" means, unless otherwise provided in an Applicable Supplement, (a) a direct obligation of the United States of America, an obligation which the principal of and interest on which is

guaranteed by the United States of America (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment), an obligation to which the full faith and credit of the United States of America are pledged (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment) and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America, which, in each case, is not subject to redemption prior to maturity other than at the option of the holder thereof or which has been irrevocably called for redemption on a stated future date or (b) an Exempt Obligation (i) which is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America (other than obligations the payment of the principal of which is not fixed as to amount or time of payment) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of an interest on the direct obligations of the United States of America have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) which are rated by Moody's and Standard & Poor's in the highest rating category of each such rating service for such Exempt Obligation; provided, however, that such term shall not mean any interest in a unit investment trust or mutual fund.

"Defeased Obligations" means Obligations issued under a Supplement that have been discharged, or provision for the discharge of which has been made, pursuant to the terms of such Supplement.

"Demand Obligation" means any Indebtedness the payment of all or a portion of which is subject to the demand of the holder thereof.

"Department of Health" means the Department of Health of the State of New York.

"Depository" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Supplement authorizing a Series of Obligations or a Obligation Series Certificate relating to a Series of Obligations to serve as securities depository for the Obligations of such Series.

"Derivative Agreement" means, without limitation,

(a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract;

(b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices;

(c) any contract to exchange cash flows or payments or series of payments;

(d) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and

(e) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, or minimize investment risk or to protect against any type of financial risk or uncertainty.

"Derivative Indebtedness" means Indebtedness for which a Member of the Obligated Group shall have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness.

"Derivative Period" means the period during which a Derivative Agreement is in effect.

"Escrowed Interest" means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the "Escrowed Interest Deposit") which Escrowed Interest Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Interest.

"Escrowed Principal" means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow (the "Escrowed Principal Deposit") which Escrowed Principal Deposit has been determined by an independent accounting firm to be sufficient to pay such Escrowed Principal.

"Event of Default" means any one or more of those events set forth in the Master Indenture.

"Excess Earnings" means, with respect to the Applicable Series of Obligations, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

"Excluded Property" means any Property that is not Health Care Facilities of the Obligated Group.

"Exempt Obligation" means an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which (i) is excludable from gross income under Section 103 of the Code and (ii) is not an item of tax preference within the meaning of Section 57(A)(5) of the Code.

"Facility Provider" means the issuer of a Reserve Fund Facility delivered to the Master Trustee pursuant to the Applicable Supplements.

"Fiscal Year" means the fiscal year of each Member of the Obligated Group, which shall be the period commencing on January 1 of any year and ending on December 31 of such year unless the Master Trustee is notified in writing by the Corporation of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice.

"Fitch" means Fitch, Inc., a Delaware limited partnership, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by notice to the Master Trustee.

"Governing Body" means, when used with respect to any Member of the Obligated Group and the Corporation, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group or the Corporation are exercised.

"Government Obligation" means (i) a direct obligation of the United States of America, (ii) an obligation the timely payment of principal of, and interest on, which are fully and unconditionally guaranteed by the United States of America, (iii) an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America are pledged, (iv) an obligation of any of the following instrumentalities or agencies of the United States of America: (a) Federal Home Loan

Bank System; (b) Export-Import Bank of the United States; (c) Federal Financing Bank; (d) Government National Mortgage Association; (e) Farmers Home Administration; (f) Federal Home Loan Mortgage Company; (g) Federal Housing Administration; (h) Private Export Funding Corp.; and (i) Federal National Mortgage Association, (v) an obligation of any federal agency and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America or (vi) an obligation of any other agency or instrumentality of the United States of America created by Act of Congress, provided such obligation is rated at least "A" by S&P and Moody's at all times.

"Governmental Restrictions" means federal, state or other applicable governmental laws or regulations affecting any Member of the Obligated Group and its health care facilities placing restrictions and limitations on (i) the fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such revenues.

"Gross Receipts" shall mean all receipts, revenues, income and other moneys received by or on behalf of each Obligated Group Member from Health Care Facilities, including without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, and the rights to receive the same whether in the form of accounts receivable, contract rights, general intangibles, chattel paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, Gross Receipts shall not include (i) gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to paying debt service on an Obligation; and (ii) all receipts, revenues, income and other moneys received by or on behalf of an Obligated Group Member, and all rights to receive the same, whether in the form of accounts receivable, contact rights, general intangibles, chattel paper, instruments and the proceeds thereof, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, derived from the Excluded Property.

"Gross Receipts Fund" means the fund created and established pursuant to the Master Indenture.

"Guaranty" means an obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, an obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness under the Master Indenture. For the purposes of the Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group shall have executed and delivered its Guaranty shall, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, be deemed to be equal to 20% of the amount which would be payable as principal of and interest on the indebtedness for which a Guaranty shall have been issued during the Fiscal Year for which any computation is being made (calculated in the same manner as the Long-Term Debt Service Coverage Ratio), provided that if there shall have occurred a payment by any Member of the Obligated Group on such Guaranty, then, during the period commencing on the date of such payment and ending on the day which is one year after such other Person resumes making all payments on such guaranteed obligation, 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account. Any Guaranty that is an obligation of more than one Member of the Obligated Group shall be counted only once for purposes of any test in the Master Indenture.

"Health Care Facilities" means the Property now or hereafter used by any Member of the Obligated Group to provide for the care, maintenance and treatment of patients or to otherwise provide health care and health-related services. Any facility whose primary function or functions is other than providing health care services and which has incidental health care services provided on its premises, shall not be deemed to be Health Care Facilities of an Obligated Group Member as of the date hereof. See Attachment A to the Master Indenture the Master Indenture for a listing of existing Health Care Facilities.

"Holder" means an owner of any Obligation issued in other than bearer form.

"Income Available for Debt Service" means, with respect to the Obligated Group, as to any period of twelve (12) consecutive calendar months, its excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with generally accepted accounting principles consistently applied; provided, however, that (1) no determination thereof shall take into account (a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (b) unrealized gains and losses on investments of a Member of the Obligated Group or (c) losses resulting from any reappraisal, revaluation or write-down of assets for such period, and (2) revenues shall not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest to the extent that such earnings are applied to the payment of principal or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement on Long-Term Indebtedness.

"Indebtedness" means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by any Member of the Obligated Group, (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness and (iv) Derivative Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group.

"Insurance Consultant" means a firm or Person which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations and which is selected by the Corporation and is not unacceptable to the Master Trustee; provided that, except with respect to the review of self-insurance programs or other captive insurance company, the term "Insurance Consultant" shall include qualified in-house risk management officers employed by any Member of the Obligated Group or an Affiliate.

"Insurance Trustee" means the person, if any, designated in the municipal bond insurance policy issued by a Credit Facility Issuer in connection with a Series of Outstanding Obligations with whom funds are to be deposited by such Credit Facility Issuer to make payment pursuant to such policy on account of the principal and Sinking Fund Installments of and interest on the Obligations of such Series.

"Interest Payment Date" means, with respect to an Applicable Series of Obligations and as set forth in the Applicable Supplement, the date on which interest is payable on such Obligation.

"Investment Agreement" means an agreement for the investment of moneys with a Qualified Financial Institution approved by any Applicable Credit Facility Issuer.

"Lien" means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

"Long-Term Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing (i) the Income Available for Debt Service by (ii) Annual Debt Service for the then current Fiscal Year.

"Long-Term Debt Service Requirement" means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such

principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation or (b) principal payments or deposits with respect to such Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated at least "A" by the Rating Service(s), or insured by an insurance policy issued by any insurance company rated at least "A" by Alfred M. Best Company or its successors in Best's Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan or reimbursement agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan or reimbursement agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above;

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility shall not be included in the calculation of Long-Term Debt Service Requirement;

(iv) with respect to any guaranties, in accordance with the definition of "Guaranty" in the Master Indenture;

(v) with respect to Derivative Indebtedness, the interest on such Indebtedness during any Derivative Period and for so long as the provider of the Derivative Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such Derivative Indebtedness pursuant to its terms and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement and subtracting (z) the amount of interest payable by the provider of the Derivative Agreement at the rate specified in the Derivative Agreement; provided, however, that to the extent that the provider of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed;

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement; and provided further, however, that principal and interest payments due and payable in connection with any Indebtedness shall be excluded from the determination of Long-Term Debt Service Requirement for the period during which monies representing the principal and interest payments on said Indebtedness have been provided for from the proceeds thereof.

"Long-Term Indebtedness" means all Indebtedness (other than Indebtedness for which the timely payment of the principal of and interest on which has been provided for from the deposit of Defeasance

Obligations) having a maturity longer than one year incurred or assumed by any Member of the Obligated Group, including without duplication:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(iii) installment sale or conditional sale contracts having an original term in excess of one year;

(iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and

(v) the current portion of Long-Term Indebtedness.

"Master Indenture" or "Master Indenture" means the Master Trust Indenture dated as of November 1, 2000, including any amendments or supplements thereto, between the Corporation and the Master Trustee.

"Master Trustee" means U.S. Bank National Association, and its successors in the trusts created under the Master Indenture.

"Maximum Annual Debt Service" means the highest Long-Term Debt Service Requirement for any succeeding Fiscal Year.

"Member of the Obligated Group" means initially the Corporation and thereafter shall include any other Person becoming a Member of the Obligated Group pursuant to the Master Indenture.

"Modification Agreement" means the agreement dated as of November 1, 2000 modifying the County Lease and the Transition Agreement.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by notice to the Master Trustee.

"Non-Recourse Indebtedness" means any Indebtedness incurred to finance the purchase of Property secured exclusively by a Lien on such Property or the revenues or net revenues produced by such Property or both, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to (i) any other Property of any Member of the Obligated Group or (ii) any other assets of an Obligated Group Member.

"Obligated Group" means, collectively, the Members of the Obligated Group.

"Obligation" means the evidence of particular Indebtedness issued under the Master Indenture or a Supplement as a joint and several obligation of each Member of the Obligated Group and shall include Senior Obligations and Subordinate Obligations.

"Obligation Series Certificate" means a certificate of the Corporation fixing terms, conditions and other details of Obligations of an Applicable Series in accordance with the delegation of power to do so under an Applicable Supplement.

"Officer's Certificate" means a certificate signed by the Authorized Representative of such Member of the Obligated Group.

Each Officer's Certificate presented pursuant to the Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, the Master Indenture. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Operating Assets" means any or all land, leasehold interests, buildings, machinery, equipment, hardware, inventory and other tangible and intangible property owned or operated by each Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Master Trustee.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

"Outstanding" when used with reference to Indebtedness or Obligations, means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, (iii) Defeased Obligations and (iv) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser; provided, however, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under the Master Indenture, Obligations that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be deemed not to be Outstanding; provided further, however, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding.

"Paying Agent" means, with respect to an Applicable Series of Obligations, the Master Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Master Indenture or of an Applicable Supplement or an Applicable Obligations Series Certificate.

"Permitted Liens" shall have the meaning given in the Master Indenture.

"Person" includes an individual, association, unincorporated organization, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Property" means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible or intangible and wherever situated.

"Property, Plant and Equipment" means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

"Qualified Financial Institution" means (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and which is on the Federal Reserve Bank of New York's list of primary government securities dealers, (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or which is a subsidiary of a foreign insurance company, (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality not objected to by the Master Trustee after due notice; or (v) a corporation whose obligations including any investments purchased from such corporation for the account of the Master Trustee are insured by the Applicable Credit Facility Issuer; provided, that in the case of any entity described in clause (ii), (iii) or (iv) above, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement, insurance policy or surety bond issued by any such organization, have been assigned a credit rating by the Rating Service(s) rating the Obligations which is not lower than "A", without regard to plus or minus, or which bank, trust company, national banking association or securities dealer or affiliate or subsidiary thereof is approved by the Applicable Credit Facility Issuer.

"Rating Service(s)" means S&P, Moody's, Fitch or any other nationally recognized statistical rating organization which shall have assigned a rating on any Obligations Outstanding as requested by or on behalf of the Corporation, and which rating is then currently in effect.

"Record Date" means, unless the Applicable Supplement authorizing an Applicable Series of Obligations or a Obligations Series Certificate relating thereto provides otherwise with respect to Obligations of such Series, fifteen (15) days (whether or not a Business Day) prior to each interest payment date.

"Redemption Price" when used with respect to an Obligation of an Applicable Series, means the principal amount of such Obligation plus the applicable premium, if any, payable upon redemption thereof, pursuant to the Master Indenture or to the Applicable Supplement or Applicable Obligations Series Certificate.

"Refunding Obligations" means all Obligations whether issued in one or more Applicable Series of Obligations, authenticated and delivered pursuant to the Master Indenture, and originally issued pursuant to the Master Indenture, and any Obligations thereafter authenticated and delivered in lieu of or in substitution for such Obligations.

"Repository" shall mean any nationally recognized municipal securities information repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Required Ratios" shall mean a Long-Term Debt Service Coverage Ratio of at least 1.25 and a Cushion Ratio of at least 1.25.

"Reserve Fund Facility" means a surety bond, insurance policy or letter of credit which constitutes any part of the Debt Service Reserve Fund authorized to be delivered to the Master Trustee pursuant to the Applicable Supplement.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other

nationally recognized securities rating agency designated by the Corporation by notice to the Master Trustee.

"Securities" means (i) moneys, (ii) Government Obligations, (iii) Exempt Obligations, (iv) any bond, debenture, note, preferred stock or other similar obligation of any corporation incorporated in the United States, which security, at the time an investment therein is made or such security is deposited in any fund or account under the Master Indenture, is rated without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "Aa" or better by the Rating Service(s) and (v) with the consent of the Applicable Credit Facility Issuer, common stock of any corporation incorporated in the United States of America whose senior debt, if any, at the time an investment in its stock is made or its stock is deposited in any fund or account established under the Master Indenture, is rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "Aa" or better by the Rating Service(s) or is rated with a comparable rating by any other nationally recognized rating service acceptable to the Corporation and the Applicable Credit Facility Issuer.

"Senior Obligation" means the Obligations so designated by the pertinent Supplement as having rights superior to Subordinate Obligations.

"Serial Obligation" means the Obligation so designated in an Applicable Supplement or an Applicable Obligations Series Certificate.

"Series" means all of the Obligations authenticated and delivered on original issuance and pursuant to the Master Indenture and an Applicable Supplement and designated therein as such, and any Obligations of such Series thereafter authenticated and delivered in lieu of or in substitution for such Obligations pursuant to the Master Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Short-Term Indebtedness" means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group, including:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;

(ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(iii) installment purchase or conditional sale contracts having an original term of one year or less.

"Sinking Fund Installment" means with respect to any Series of Obligations, as of any date of calculation and with respect to any Obligations of such Series, so long as any such Obligations thereof are Outstanding, the amount of money required by the Applicable Supplement pursuant to which such Obligations were issued or by the Applicable Obligations Series Certificate, to be paid on a single future sinking fund payment date for the retirement of any Outstanding Obligations of said Series which mature after said future sinking fund payment date, but does not include any amount payable by the Corporation by reason only of the maturity of such Obligations, and said future sinking fund payment date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Obligations are deemed to be Obligations entitled to such Sinking Fund Installment.

"State" means the State of New York.

"Subordinate Obligation" means Indebtedness the payment of which is evidenced by instruments, or issued under a Supplement or other document, containing specific provisions subordinating such Indebtedness to the Senior Obligations.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is (i) a public benefit corporation created under the Act, (ii) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code and (iii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Term Obligations" means with respect to Obligations of a Series, the Obligations so designated in an Applicable Supplement or an Applicable Obligations Series Certificate and payable from Sinking Fund Installments.

"Total Operating Revenues" means, with respect to the Obligated Group, as to any period of time, total operating revenues less all deductions from revenues, as determined in accordance with generally accepted accounting principles consistently applied.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

"Transition Agreement" means that certain amended and restated agreement between the County and the Corporation dated as of December 30, 1998, as amended.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

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PROPOSED FORM OF OPINION OF BOND COUNSEL

March 30, 2016

Westchester County Local Development Corporation
148 Martine Avenue
White Plains, New York 10601

Re: $283,580,000 Westchester County Local Development Corporation
Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project)

Ladies and Gentlemen:

We have acted as bond counsel to the Westchester County Local Development Corporation (the "Issuer") in connection with the issuance on the date hereof by the Issuer of its Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project) in the aggregate principal amount of $283,580,000 (the "Series 2016 Bonds").

The Series 2016 Bonds are authorized to be issued pursuant to (i) Section 1411 of the New York Not-for-Profit Corporation Law of the State of New York (the "Act"), (ii) a Bond Resolution duly adopted by the Issuer on March 2, 2016 (the "Resolution"), (iii) a Trust Indenture, dated as of March 1, 2016 (the "Indenture"), by and between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"), (iv) a Bond Purchase Agreement, dated March 15, 2016 (the "Bond Purchase Agreement"), by and between the Issuer and Wells Fargo Bank, National Association, on behalf of itself and as representative of the other underwriters for the Series 2016 Bonds (collectively, the "Underwriters"), and (v) an Official Statement, dated March 15, 2016 (the "Official Statement"), for the purpose of: (i) financing of all or a portion of certain routine capital projects and other capital projects at the facilities of Westchester County Health Care Corporation (the "Corporation"), including (a) construction and equipping of the Corporation's Ambulatory Care Pavilion, (b) lobby renovations and enhancements on the main hospital campus, and (c) improvements and reconfiguration of parking to accommodate the new facilities; (ii) advance refunding a portion of the Corporation's outstanding $78,380,000 aggregate principal amount of Revenue Bonds, Series 2010B (Tax-Exempt) – Senior Lien (the "Series 2010B Bonds") and $32,410,000 aggregate principal amount of Revenue Bonds, Series 2010C-2 (Tax-Exempt) – Senior Lien (the "Series 2010C-2 Bonds"); (iii) funding capitalized interest on the Series 2016 Bonds and (iv) paying certain costs related to the issuance of the Series 2016 Bonds. Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Indenture.

The Issuer will loan the proceeds of the Series 2016 Bonds to Westchester County Health Care Corporation Act (the "Corporation") pursuant to a Loan Agreement, dated as of March 1, 2016 (the "Loan Agreement"), between the Issuer and the Corporation.

The Series 2016 Bonds are secured by, among other things, certain funds and accounts held under the Indenture and a pledge of payments to be made under the Indenture and the Loan Agreement. As

additional security, the Series 2016 Bonds are secured by payments to be made on an obligation dated as of March 30, 2016 (the "Series 2016 Obligation") by the Corporation ("Member" and, together with any such other entities that may in the future agree to become obligated on the Series 2016 Obligation and any additional Obligations, collectively, the "Obligated Group"). The obligations of the Corporation under the Series 2016 Obligation, together with all other Obligations issued under the Master Indenture, are secured by mortgages (collectively, the "Mortgage") on the Corporation's leasehold interest under the Restated and Amended Lease Agreement, dated as of December 30, 1998, between the County of Westchester and the Corporation (the "Lease Agreement") and fee interest in MidHudson Regional Hospital in Poughkeepsie, New York, with all proceeds realized from the Mortgage to be applied proportionally and ratably to all Obligations issued under the Master Indenture. The Corporation is the sole Member of the Obligated Group. The Series 2016 Obligation is issued by the Obligated Group under a Master Trust Indenture, dated as of November 1, 2000 (the "Master Trust Indenture"), between the Obligated Group and U.S. Bank National Association, as successor master trustee (the "Master Trustee"), as such Master Trust Indenture is supplemented from time to time (the Master Trust Indenture, together with all supplements thereto, is hereinafter referred to as the "Master Indenture"), between the Obligated Group and the Master Trustee. The Series 2016 Obligation is being delivered to the Issuer as evidence of the Member's obligation to repay the Series 2016 Bonds and is assigned by the Issuer to the Trustee as security for the payment of the Series 2016 Bonds. The Series 2016 Obligation is secured by, among other things, a security interest in Gross Receipts of the Obligated Group and the Mortgage.

The Series 2016 Bonds are dated March 30, 2016, shall mature on November 1 in each of the years 2016-2034, 2037 and 2046, and bear interest, payable November 1, 2016 and semiannually thereafter on May 1 and November 1 in each year, at the respective rates per annum set forth in the Indenture. The Series 2016 Bonds are issuable in the form of fully registered bonds in the denomination of $5,000 or integral multiples thereof, and are numbered consecutively from one upward in order of issuance. The Series 2016 Bonds are subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms as are set forth in the Indenture.

As bond counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents (including all documents constituting the Transcript of Proceedings with respect to the issuance of the Series 2016 Bonds) as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, without having conducted any independent investigation, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, parties other than the Issuer. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to herein. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement, the Tax Certificate as to Arbitrage and Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 delivered by Issuer and the Corporation (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 2016 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 2016 Bonds, the Indenture, the Loan Agreement, the Series 2016 Obligation and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditor's rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2016 Bonds in order that interest on the Series 2016 Bonds will be and remain excludable from gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds and the facilities financed and refinanced by such proceeds, restrictions on the investment of proceeds and other amounts and the rebate to the United States of certain earnings with respect to investments. Failure to comply with the continuing requirements may cause interest on the Series 2016 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Indenture, the Loan Agreement, the Tax Certificate and accompanying documents, exhibits and certificates, the Issuer and the Corporation have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code. The opinions set forth herein as to federal and state income tax matters assumes continuing compliance with such covenants and the accuracy, in all material respects, of such representations and certifications.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreement and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the effect on the exclusion from gross income of interest on any Series 2016 Bond of any such change or action that occurs or is taken upon the advice or approval of bond counsel other than Winston & Strawn LLP.

Based upon the foregoing and subject to the assumptions and qualifications set forth herein, we are of the opinion that:

1. The Issuer is a duly organized and existing corporate governmental agency constituting a local development corporation of the State of New York, with the right and lawful authority and power to adopt the Resolution and to issue the Series 2016 Bonds.

2. The Resolution has been duly adopted by the Issuer and is in full force and effect.

3. The Bond Purchase Agreement, the Indenture, the Loan Agreement and the Tax Compliance Agreement have been duly authorized, executed and delivered by the Issuer and are legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms.

4. The Series 2016 Bonds have been duly authorized, executed and delivered by the Issuer and are legal, valid and binding special obligations of the Issuer and are enforceable against the Issuer in accordance with their terms and the terms of the Indenture, and are entitled to the equal benefits of the Indenture and the Act.

5. The Issuer has the right and lawful authority and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by the Issuer, and constitutes a legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms.

6. Based upon an analysis of existing statutes, regulations, rulings and court decisions, interest on the Series 2016 Bonds is not includable in gross income for federal income tax purposes, assuming continuing compliance by the Issuer and the Corporation (and their successors) with the covenants, and the accuracy of the representations (as to which we have made no independent investigation) referenced above. We are further of the opinion that interest on the Series 2016 Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations; however, such interest will be includable in the calculation of adjusted current earnings of corporations used to calculate the federal alternative minimum tax imposed on corporations (but not individuals).

7. The Series 2016 Bonds maturing in 2037 are initially offered to the public at prices less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2016 Bonds maturing in 2037 is sold in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount in respect of each Series 2016 Bond maturing in 2037 (the "Discount Bonds"). We are of the opinion that original issue discount, as it accrues, is not includable in gross income for federal income tax purposes, and is subject to the alternative minimum tax, to the same extent as interest on the Series 2016 Bonds. The owner of a Discount Bond who purchases it in the initial offering at the initial offering price is deemed to accrue in each taxable year original issue discount over the term of such bond under the "constant yield method" described in regulations interpreting Section 1272 of the Code with certain adjustments.

8. All of the Series 2016 Bonds (other than the Series 2016 Bonds maturing in 2037) are initially offered to the public at a price in excess of the principal amount thereof and such excess will constitute bond premium in the case of such Bonds sold at their initial offering price (the "Premium Bonds"). We are of the opinion that an initial purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant yield basis over the term of such Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds, callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year.

9. Assuming continuing compliance by the Issuer and the Corporation (and their successors) with the requirements of the Code that must be met in order for interest on the Series 2016 Bonds to be not includable in gross income for federal income tax purposes, interest (including any accrued original issue discount) on the Series 2016 Bonds is also not includable in taxable income for purposes of personal income taxes imposed by the State of New York, The City of New York and the City of Yonkers, under existing statutes and regulations.

We have examined a specimen of an executed Series 2016 Bond and, in our opinion, the form of said bond and its execution are regular and proper.

The opinions contained in paragraphs 3, 4 and 5 above are qualified to the extent that the enforceability of the Indenture, the Loan Agreement and the Series 2016 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy. Except as stated in paragraphs 6, 7, 8 and 9 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Series 2016 Bonds.

In connection with the delivery of this opinion letter, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Corporation. We have assumed the due authorization, execution and delivery of the Loan Agreement by the Corporation.

Our opinions set forth herein are based upon the facts in existence and the laws in effect on the date hereof and we disclaim any obligation to update our opinions herein, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

Very truly yours,

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS, SERIES 2016
(WESTCHESTER MEDICAL CENTER OBLIGATED GROUP PROJECT)

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Agreement to Provide Continuing Disclosure (this "Agreement"), dated as of March 1, 2016, is executed and delivered by the Westchester County Health Care Corporation (the "Corporation" or "Obligated Group Representative"), on behalf of itself and as sole member of the Obligated Group (hereinafter defined) and U.S. Bank National Association, as successor Master Trustee and Dissemination Agent (the "Master Trustee" or the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Master Indenture (hereinafter defined). The capitalized terms used in this Agreement and not otherwise defined shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Obligated Group for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report, or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the MSRB under this Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Group and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means U.S. Bank National Association, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Group pursuant to Section 8 hereof.

"Disclosure Representative" means the Chief Financial Officer of the Corporation or his or her designee, or such other person as the Obligated Group shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Agreement.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GAAS" shall mean generally accepted accounting standards as in effect from time to time in the United States.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means the Annual Financial Information, the Audited Financial Statements (if any), the Notice Event notices and the Voluntary Reports.

"Issuer" means the Westchester County Local Development Corporation, as issuer of the Bonds.

"Master Indenture" means the Master Trust Indenture, dated as of November 1, 2000, as amended, between the Obligated Group and the Master Trustee, as further supplemented through the Eleventh Supplemental Indenture, dated as of March 1, 2016, between the Obligated Group and the Master Trustee.

"Master Trustee" means U.S. Bank National Association, New York, New York, as Master Trustee.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means any event listed in Section 4(a) of this Agreement.

"Obligated Group" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer and the Obligated Group in connection with the Bonds, as listed on Exhibit A.

"Voluntary Report" means the information provided to the Disclosure Dissemination Agent by the Obligated Group pursuant to Section 6 hereof.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Group shall provide, annually, an electronic copy of the Annual Report, Audited Financial Statements and Certification to the Disclosure Dissemination Agent, not later than 165 days after the end of each fiscal year of the Obligated Group, commencing with the fiscal year ended December 31, 2015 (the "Annual Filing Date"). Within three business (3) days of receipt of an electronic copy of the Annual Report, Audited Financial Statements and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report and Audited Financial Statements to the MSRB. The Annual Report and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Agreement.

(b) If, on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report, Audited Financial Statements and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), to remind the Obligated Group of its undertaking to provide the Annual Report and Audited Financial Statements pursuant to Section 2(a) hereof. Upon such reminder, the Disclosure Representative shall, not less than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report, Audited Financial Statements and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, that the Obligated Group will not be able to file the Annual Report and Audited Financial Statements within the time required under this Agreement, state the date by which the Annual Report and Audited Financial Statements for such year will be provided, instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(16) will have occurred as of the Annual Filing Date and that notice of such Notice Event should be sent on the Annual Filing Date to the MSRB in substantially the form attached hereto as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report, Audited Financial Statements and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report and Audited Financial Statements, a Notice Event described in Section 4(a)(16) shall have occurred and the Obligated Group shall direct the

Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached hereto as Exhibit B.

(d) If Audited Financial Statements of the Obligated Group are prepared but not available prior to the Annual Filing Date, the Obligated Group shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy of the Audited Financial Statements to the Disclosure Dissemination Agent, accompanied by a Certificate, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB together with a completed copy of the MSRB Material Event Notice Cover Sheet, describing the event by checking the box indicated below when filing pursuant to the Section of this Agreement indicated:

1. "Principal 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 IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds";

7. "Modifications to rights of Bondholders," if material;

8. "Bond calls," if material;

9. "Defeasances";

10. "Release, substitution, or sale of property securing repayment of the Bonds," if material;

11. "Ratings changes";

12. "Tender Offers";

13. "Bankruptcy, insolvency, receivership or similar event of the Obligated Group";

14. "Merger, consolidation or acquisition of the Obligated Group or sale of all or substantially all of the assets of the Obligated Group, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions other than pursuant to its terms," if material;

15. "Appointment of a successor or additional trustee, or the change of name of a trustee," if material; and

16. "Failure to provide annual financial information as required," together with a completed copy of Exhibit B to this Agreement;

(v) provide the Obligated Group evidence of the filings of each of the above when made.

(f) The Obligated Group may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 5:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Agreement and that is accompanied by a Certification and all other information required by the terms of this Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 5:00 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) (1) Financial and operating data of the type included in the Official Statement, which shall include information as described in Appendix A thereto relating to the following: (i)

utilization statistics of the type set forth under the heading "UTILIZATION"; (ii)) revenue and expense data of the type set forth under the headings "FINANCIAL HISTORY OF THE CORPORATION – Outstanding Indebtedness," – Summary Statement of Net Position," – Summary of Revenues, Expenses and Changes in Net Position," – Historical Debt Service Coverage," and – Payor Mix"; together with (2) such narrative explanation, as may be necessary to avoid misunderstanding, and to assist the reader in understanding the presentation of financial and operating data concerning the Obligated Group and in judging the financial and operating condition of the Obligated Group.

(b) Audited Financial Statements prepared in accordance with GAAP **OR** alternate accounting principles (if such alternate accounting principles are otherwise disclosed in the Official Statement and audited by an independent accounting firm in accordance with GAAS) as described in the Official Statement will be included in the Annual Report. Unaudited financial statements, prepared in accordance with GAAP **OR** alternate accounting principles as described in the Official Statement will be included in the Annual Report if Audited Financial Statements are not available on the Annual Filing Date. If Audited Financial Statements are not available on the Annual Filing Date, the Obligated Group shall be in compliance under this agreement if unaudited financial statements are filed on the Annual Filing Date along with a certificate of the Obligated Group stating when the Audited Financial Statements are expected to become available and agreeing to file Audited Financial Statements as soon as they become available in accordance with Section 2(d) above.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Group is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB internet website. The Obligated Group will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal 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 IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bondholders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Tender Offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Group;

14. Merger, consolidation or acquisition of the Obligated Group or sale of all or substantially all of the assets of the Obligated Group, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions other than pursuant to its terms, if material;

15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material; and

16. Failure to provide annual financial information as required.

The Obligated Group shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (b) below. Such notice shall be accompanied with the text of the disclosure that the Obligated Group desires to make, the written authorization of the Obligated Group for the Disclosure Dissemination Agent to disseminate such information, and the date the Obligated Group desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) If the Disclosure Dissemination Agent has been instructed by the Obligated Group as prescribed in subsection (a) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Financial Disclosures, the Obligated Party shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Obligated Group acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Obligated Group, and that the failure of the Disclosure Dissemination Agent to so advise the Obligated Group shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Agreement. The Obligated Group acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Agreement.

SECTION 7. Voluntary Reports.

(a) The Obligated Group may, instruct the Disclosure Dissemination Agent to file information with the MSRB from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Agreement shall be deemed to prevent the Obligated Group from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Agreement, or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Agreement. If the Obligated Group chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Agreement, the Obligated Group shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Obligated Group and the Disclosure Dissemination Agent under this Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Group is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Obligated Group has appointed U.S. Bank National Association as Disclosure Dissemination Agent under this Agreement. Upon termination of U.S. Bank National Association' services as Disclosure Dissemination Agent as provided in this Agreement, the Obligated Group agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, to assume all responsibilities of the Disclosure Dissemination Agent under this Agreement for the benefit of the Holders of the Bonds.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Obligated Group or the Disclosure Dissemination Agent to comply with any provision of this Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Agreement; and provided further that any challenge to the adequacy of the information provided in accordance with Section 3 hereof shall be brought only by the Master Trustee on behalf of the Holders of the Bonds; provided, however, that the Master Trustee shall not be required to take any enforcement action except at the written direction of the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding. Any failure by a party to perform in accordance with this Agreement shall not constitute a default on the Bonds or the Master Indenture or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Agreement and in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Group has provided such information to the Disclosure Dissemination Agent as required by this Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Obligated Group and shall not be deemed to be acting in any fiduciary capacity for the Obligated Group, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Group's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Obligated Group has complied with this Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Group at all times.

TO THE EXTENT PERMITTED BY LAW, THE OBLIGATED GROUP AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH IT MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF ITS POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Group under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or

controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and it shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Group.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Section shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB. Unless otherwise prescribed by the MSRB, all such submissions shall be made via the MSRB's Electronic Municipal Market Access ("EMMA") system.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Obligated Group and the Disclosure Dissemination Agent may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Group and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Group or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their written consent thereto.

Notwithstanding the preceding paragraph, the Obligated Group and the Disclosure Dissemination Agent shall have the right to adopt amendments to this Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Group or the Master Trustee and the assumption by any such successor of the covenants of the Obligated Group or the Master Trustee hereunder;

(iv) to add to the covenants of the Obligated Group or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Group or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 13. Beneficiaries. This Agreement shall inure solely to the benefit of the Obligated Group, the Master Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Agreement shall be governed by the laws of the State of New York.

SECTION 15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page left intentionally blank]

The Disclosure Dissemination Agent and the Obligated Group have caused this Agreement to be executed, on the date first written above, by their respective officers duly authorized.

WESTCHESTER COUNTY HEALTH CARE CORPORATION,
on behalf of itself and as Obligated Group Representative

By: _____
Name Gary F. Brudnicki
Title Senior Executive Vice President and Chief Financial Officer/ Chief Operating Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name
Title

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	Westchester County Local Development Corporation
Obligated Group	Westchester County Health Care Corporation
Name of Bond Issue:	Westchester County Local Development Corporation Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project)
Date of Issuance:	March 30, 2016
Date of Official Statement	March 15, 2016

$283,580,000
WESTCHESTER COUNTY LOCAL DEVELOPMENT CORPORATION
REVENUE BONDS, SERIES 2016
(WESTCHESTER MEDICAL CENTER OBLIGATED GROUP PROJECT)

Due (November 1)	Principal Amount	Interest Rate	CUSIP
2016	$300,000	3.00%	95737TBJ4
2017	160,000	4.00	95737TBK1
2018	165,000	4.00	95737TBL9
2019	2,145,000	5.00	95737TBM7
2020	2,255,000	5.00	95737TBN5
2021	2,565,000	5.00	95737TBP0
2022	2,685,000	5.00	95737TBQ8
2023	2,815,000	5.00	95737TBR6
2024	2,955,000	5.00	95737TBS4
2025	3,100,000	5.00	95737TBT2
2026	3,245,000	5.00	95737TBU9
2027	3,400,000	5.00	95737TBV7
2028	5,280,000	5.00	95737TBW5
2029	5,440,000	5.00	95737TBX3
2030	2,825,000	5.00	95737TCE4
2031	3,685,000	5.00	95737TBY1
2032	3,875,000	5.00	95737TBZ8
2033	4,065,000	5.00	95737TCA2
2034	5,805,000	5.00	95737TCB0
2037	50,810,000	3.75	95737TCC8
2046	176,005,000	5.00	95737TCD6

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer	Westchester County Local Development Corporation
Obligated Group	Westchester County Health Care Corporation
Name of Bond Issue:	Westchester County Local Development Corporation Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project)
Date of Issuance:	March 30, 2016
Date of Official Statement	March 15, 2016

NOTICE IS HEREBY GIVEN that the Obligated Group has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated March 1, 2016, between the Obligated Group and U.S. Bank National Association, as Master Trustee and Disclosure Dissemination Agent. The Obligated Group has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated:_____

U.S. Bank National Association, as Disclosure Dissemination Agent, on behalf of the Obligated Group

_____

cc: Obligated Group Representative

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