PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 21, 2019

NEW ISSUES–BOOK–ENTRY ONLY **Ratings: *See* "RATINGS" herein**

In the opinion of Bond, Schoeneck & King, PLLC, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming compliance with certain covenants and the accuracy of certain representations, (1) interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes, and is not an "item of tax preference" for purposes of the alternative minimum tax imposed by the Internal Revenue Code of 1986, as amended (the "Code"), and (2) so long as interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes, interest on the Series 2019A Bonds is exempt under existing law from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Interest on the Series 2019B Bonds is not excludable from gross income for federal income tax purposes and is not exempt under existing law from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). For a more complete discussion, including certain other tax considerations, see "TAX MATTERS" herein.

$254,670,000*
ONEIDA COUNTY LOCAL DEVELOPMENT CORPORATION
Revenue Bonds
(Mohawk Valley Health System Project), Series 2019
consisting of
$236,015,000* Series 2019A Bonds (Tax-Exempt)
$18,655,000* Series 2019B Bonds (Taxable)

Dated: Date of Issue **Due: December 1, as shown on the inside cover hereof**

The Oneida County Local Development Corporation Revenue Bonds (Mohawk Valley Health System Project), Series 2019 (collectively, the "*Bonds*"), consisting of $236,015,000* Series 2019A Bonds (Tax-Exempt) (the "*Series 2019A Bonds*") and $18,655,000* Series 2019B Bonds (Taxable) (the "*Series 2019B Bonds*") will be issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form (without physical certificates) in authorized denominations of $5,000 and any integral multiple thereof and, under limited circumstances, will be exchangeable for physical certificates, as more fully described herein. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, (i) payments of the principal and purchase price of and premium, if any, and interest on the Bonds will be made directly to Cede & Co. for payment to its participants for subsequent disbursement to the beneficial owners, and (ii) all notices, including any notice of redemption, shall be mailed only to Cede & Co. *See* APPENDIX F – "BOOK-ENTRY SYSTEM" herein.

The Bonds will be issued pursuant to a Trust Indenture, dated as of November 1, 2019 (the "*Indenture*"), between the Oneida County Local Development Corporation (the "*Issuer*") and The Bank of New York Mellon, as bond trustee (the "*Bond Trustee*"). The proceeds of the Bonds will be loaned to Mohawk Valley Health System ("*MVHS*" or the "*System*") pursuant to a Loan Agreement, dated as of November 1, 2019 (the "*Loan Agreement*"), between the Issuer and MVHS, relating to the Bonds, to be used for the design, development, acquisition (including land acquisition), construction and equipping of a new hospital facility, a central utility plant, and related improvements; the financing of furnishings and equipment for certain existing facilities; the refinancing of existing commercial loan indebtedness; the refinancing of the outstanding Oneida County Industrial Development Agency ("*OCIDA*") Variable Rate Demand Civic Facility Revenue Bonds, Series 2006E (Mohawk Valley Network, Inc. Obligated Group, Faxton-St. Luke's Healthcare Civic Facilities) (the "*Series 2006E Bonds*") and the outstanding OCIDA Variable Rate Demand Civic Facility Revenue Bonds, Series 2006F (Taxable) (Mohawk Valley Network, Inc. Obligated Group; Faxton-St. Luke's Healthcare Civic Facilities); the funding of capitalized interest on a portion of the Bonds; and the payment of costs and expenses incidental to the issuance of the Bonds as described herein under "PLAN OF FINANCE."

The Bonds will initially bear interest from their date of delivery (the "*Date of Issue*") in the Fixed Rate Mode (as defined herein) at the interest rates described on the inside cover page of this Official Statement. This Official Statement only describes the terms and provisions of the Bonds and the documents relating thereto while the Bonds bear interest in such Fixed Rate Mode. The interest rate to be borne by the Bonds may be converted to another Interest Rate Mode as described under "THE BONDS – Conversions to Other Interest Rate Modes" herein. In the event of a conversion to another Interest Rate Mode, a supplement to this Official Statement or a new offering or remarketing document will be delivered describing the new Interest Rate Mode and the terms and provisions of the documents relating thereto.

During the Fixed Rate Mode, the Bonds are subject to optional, mandatory and extraordinary optional redemption prior to maturity and purchase in lieu of redemption and are subject to mandatory tender prior to maturity, all as described herein. *See* "THE BONDS – Redemption" herein.

The principal and purchase price of and premium, if any, and interest on the Bonds shall be payable solely from the money and investments in the funds and accounts held in trust by the Bond Trustee under the Indenture received by the Issuer pursuant to the Loan Agreement. The obligation of the System to make such payments under the Loan Agreement is secured by a master note delivered with respect to the Bonds ("*Obligation No. 1*") issued under the Amended and Restated Master Trust Indenture, dated as of November 1, 2019 (the "*Master Trust Indenture*") and under the Supplemental Master Trust Indenture for the Bonds, dated as of November 1, 2019 (the "*Supplemental Master Indenture*" and, together with the Master Trust Indenture, the "*Master Indenture*"), each by and among the Members of the Obligated Group (as defined herein) and The Bank of New York Mellon, as master trustee (the "*Master Trustee*"). The Obligated Group, consisting of MVHS, Faxton-St. Luke's Healthcare ("*FSLH*") and St. Elizabeth Medical Center ("*St. Elizabeth*," and together with MVHS and FSLH, the "*Members of the Obligated Group*" or "*Obligated Group*") is obligated under the Master Indenture to make payments on Obligation No. 1 in amounts sufficient to permit the Issuer to pay when due the principal and purchase price of and premium, if any, and interest on the Bonds. Obligation No. 1 will be secured by certain Pledged Revenues of the Obligated Group under and as defined in the Master Indenture and a mortgage from the System to the Master Trustee, as assignee of the Issuer, as described herein. **By virtue of their purchase of the Bonds, the beneficial owners of the Bonds are granting their consent to the amendment and restatement of the Existing Master Indenture, as described herein.**

The scheduled payment of principal of and interest on the Series 2019A Bonds maturing on _____ of the years ___ through ___, inclusive, and Series 2019B Bonds maturing on _____ of the years ___ through ___, inclusive, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2019 Bonds by ASSURED GUARANTY MUNICIPAL CORP.

THE BONDS AND THE INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM FUNDS PLEDGED UNDER THE INDENTURE AND A PLEDGE OF CERTAIN RIGHTS OF THE ISSUER (OTHER THAN UNASSIGNED RIGHTS) UNDER AND PURSUANT TO THE LOAN AGREEMENT AND FROM PAYMENTS MADE BY MEMBERS OF THE OBLIGATED GROUP ON OBLIGATION NO. 1 AND FROM MONEYS IN CERTAIN FUNDS DESCRIBED IN THE INDENTURE AND INVESTMENT EARNINGS THEREON. THE BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK OR THE COUNTY OF ONEIDA OR ANY OTHER MUNICIPALITY OF THE STATE OF NEW YORK, AND NEITHER THE STATE OF NEW YORK, THE COUNTY OF ONEIDA, NOR ANY OTHER MUNICIPALITY OF THE STATE OF NEW YORK, SHALL BE LIABLE ON THE BONDS, OTHER THAN THE ISSUER TO THE EXTENT PROVIDED IN THE INDENTURE. THE ISSUER IS NOT AUTHORIZED TO LEVY OR COLLECT ANY TAXES OR ASSESSMENTS TO PAY THE BONDS OR FOR ANY OTHER PURPOSE. THE ISSUER MAKES NO REPRESENTATION OR WARRANTY AS TO THE ADEQUACY OR SUFFICIENCY OF THE SECURITY FOR THE BONDS.

INVESTMENT IN THE BONDS INVOLVES A HIGH DEGREE OF RISK. THE BONDS ARE INTENDED ONLY FOR PURCHASE BY SOPHISTICATED INVESTORS CAPABLE OF BEARING THE ECONOMIC RISKS OF THE PURCHASE OF THE BONDS AND HAVING SUCH KNOWLEDGE AND EXPERIENCE IN BUSINESS AND FINANCIAL MATTERS AS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS. PROSPECTIVE BONDHOLDERS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," "BONDHOLDERS' RISKS" AND "REGULATION OF THE HEALTH CARE INDUSTRY" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS.

This cover page contains certain information for quick reference only. It is not a complete summary of the terms of the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if received by the Underwriter, subject to prior sale and to the approval of validity and certain other legal matters by Bond, Schoeneck & King, PLLC, Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its counsel, Levitt & Gordon; for the System by its counsel, Bond ,Schoeneck & King, PLLC; and for the Underwriter by its counsel, Hawkins Delafield & Wood LLP. It is expected that the Bonds in definitive form will be available for delivery to the Bond Trustee on behalf of DTC by Fast Automated Securities Transfer on or about November __, 2019.

Barclays

The Date of this Official Statement is October __, 2019.

* Preliminary, subject to change.

MATURITY SCHEDULE*

$236,015,000*
Oneida County Local Development Corporation
Revenue Bonds
(Mohawk Valley Health System Project), Series 2019A
(Tax-Exempt)

Maturities, Principal Amounts, Interest Rates, Yields and CUSIPS†

Due (December 1)	Principal Amount	Interest Rate	Yield	CUSIP†
	$	$	%	

$_____ ____% Term Bonds due December 1, 20__; Priced @ _____ to Yield _____% CUSIP† _____

$18,655,000*
Oneida County Local Development Corporation
Revenue Bonds
(Mohawk Valley Health System Project), Series 2019B
(Taxable)

Maturities, Principal Amounts, Interest Rates, Yields and CUSIPS†

Due (December 1)	Principal Amount	Interest Rate	Yield	CUSIP†
	$	$	%	

$_____ ____% Term Bonds due December 1, 20__; Priced @ _____ to Yield _____% CUSIP† _____

* Preliminary, subject to change.

† Copyright, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. None of the Issuer, the Obligated Group, the Bond Trustee or the Underwriter assume any responsibility for the accuracy of such numbers.

ABOUT THIS OFFICIAL STATEMENT

No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the System, the Obligated Group or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. This Official Statement is submitted in connection with the initial public offering of the Bonds. Neither the delivery of this Official Statement nor the sale of the Bonds implies that information herein is correct as of any time subsequent to the date hereof.

Information herein has been obtained from the System and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as, a representation by the Underwriter or by the Issuer. The Issuer has not provided any information for inclusion in this Official Statement except for information relating to the Issuer under the captions "THE ISSUER" and "LITIGATION – The Issuer." The Underwriter has provided the following sentence for inclusion in this Official Statement: *The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.*

The Bond Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Official Statement.

In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

References to web site addresses 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 a part of, this Official Statement.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2019 Bonds or the advisability of investing in the Series 2019 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and in APPENDIX H – "Specimen Municipal Bond Insurance Policy."

AN INVESTMENT IN THE BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK. PROSPECTIVE BONDHOLDERS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," "BONDHOLDERS' RISKS" AND "REGULATION OF THE HEALTH CARE INDUSTRY" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS.

NEITHER THE BONDS NOR OBLIGATION NO. 1 HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE AND THE MASTER INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE ON EXEMPTIONS CONTAINED IN SUCH ACTS. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

_____

CAUTIONARY STATEMENT REGARDING PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

This Official Statement contains "forward-looking statements." When used in this Official Statement, the words "estimate," "intend," "expect," "plan," "budget" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. These forward-looking statements include, but are not limited to, the information under the caption "BONDHOLDERS' RISKS," "REGULATION OF THE HEALTH CARE INDUSTRY" and "ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS" in the forepart of this Official Statement, the information in PART II and certain of the information contained in APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM." The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Other than as may be required by law, the System does not plan to issue any updates or revisions to those forward-looking statements if or when changes in its expectations, or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

Oneida County Local Development Corporation
Revenue Bonds
(Mohawk Valley Health System Project), Series 2019
consisting of
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$18,655,000* Series 2019B Bonds (Taxable)

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth elsewhere in this Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Indenture, Loan Agreement or the Master Indenture, each as described below. See APPENDIX C – "GLOSSARY AND SUMMARIES OF CERTAIN PROVISIONS OF CERTAIN OF THE BOND DOCUMENTS," and APPENDIX D – "FORM OF MASTER INDENTURE" *for the definitions of certain terms used herein. Certain definitions relating to the System (as defined herein) and the Members of the Obligated Group (as defined herein) are set forth in* APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM."

Purpose of Official Statement

This Official Statement, including the cover page and the Appendices, is furnished in connection with the issuance of the Oneida County Local Development Corporation Revenue Bonds (Mohawk Valley Health System Project), Series 2019 in the aggregate principal amount of $254,670,000* (collectively, the "*Bonds*"), consisting of $236,015,000* Series 2019A Bonds (Tax-Exempt) (the "*Series 2019A Bonds*") and $18,655,000* Series 2019B Bonds (Taxable) (the "*Series 2019B Bonds*"). The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive and reference is made to each document for the complete details of all terms and conditions. Copies of the Loan Agreement, the Indenture, the Master Indenture and the Supplemental Indenture No. 1 referred to herein will be available for inspection at the principal office of the Bond Trustee. All statements herein are qualified in their entirety by reference to each document. The attached APPENDICES A through H are integral parts of this Official Statement and should be read in their entirety.

The Bonds will initially bear interest from their date of delivery (the "Date of Issue") in the Fixed Rate Mode (as defined herein) at the interest rates described on the inside cover page of this Official Statement. This Official Statement only describes the terms and provisions of the Bonds and the documents relating thereto while the Bonds bear interest in such Fixed Rate Mode. The interest rate to be borne by the Bonds may be converted to another Interest Rate Mode as described under "THE BONDS – Conversions to Other Interest Rate Modes" herein. In the event of a conversion to another Interest Rate Mode, a supplement to this Official Statement or a new offering or remarketing document

* Preliminary, subject to change.

will be delivered describing the new Interest Rate Mode and the terms and provisions of the documents relating thereto.

The Bonds

The Bonds will be issued pursuant to, and secured under, a Trust Indenture, dated as of November 1, 2019 (the "*Indenture*"), by and between the Issuer and The Bank of New York Mellon, as bond trustee (the "*Bond Trustee*"). The Issuer will loan the proceeds of the Bonds to Mohawk Valley Health System, a New York not-for-profit corporation ("*MVHS*" or the "*System*") under a Loan Agreement, dated as of November 1, 2019 (the "Loan Agreement"), to be used, together with the proceeds of a grant totaling $300 million awarded by the State of New York to MVHS under the Health Care Facility Transformation Program (the "HCFTP Grant"), for (i) the design, development, acquisition (including land acquisition), construction and equipping of a new hospital facility, central utility plant, and related improvements (the "New Hospital Project"); (ii) the financing of certain furnishings and equipment for the existing facilities owned by Members of the Obligated Group (as defined herein); (iii) the refinancing of certain outstanding indebtedness incurred to finance and refinance miscellaneous additions, renovations, construction and improvements to, and equipment and furnishings for, certain facilities owned by Members of the Obligated Group; (iv) the refinancing of certain outstanding indebtedness previously incurred to finance costs of acquiring and installing a new EPIC electronic health record system; (v) the refinancing of the outstanding Oneida County Industrial Development Agency ("*OCIDA*") Variable Rate Demand Civic Facility Revenue Bonds, Series 2006E (Mohawk Valley Network, Inc. Obligated Group, Faxton-St. Luke's Healthcare Civic Facilities) (the "*Series 2006E Bonds*") and the outstanding OCIDA Variable Rate Demand Civic Facility Revenue Bonds, Series 2006F (Taxable) (Mohawk Valley Network, Inc. Obligated Group; Faxton-St. Luke's Healthcare Civic Facilities) (the "*Series 2006F Bonds*" and, together with the Series 2006E Bonds, the "*Series 2006 FSL Bonds*"); (vi) the funding of capitalized interest on a portion of the Bonds; and (vii) the payment of costs and expenses incidental to the issuance of the Bonds (collectively, the "*Project*"). *See also* the discussion appearing under the caption "PLAN OF FINANCE" below.

Security and Source of Payment for the Bonds

THE BONDS AND THE INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM FUNDS PLEDGED UNDER THE INDENTURE AND A PLEDGE OF CERTAIN RIGHTS OF THE ISSUER (OTHER THAN UNASSIGNED RIGHTS) UNDER AND PURSUANT TO THE LOAN AGREEMENT AND FROM PAYMENTS MADE BY MEMBERS OF THE OBLIGATED GROUP ON OBLIGATION NO. 1 AND FROM MONEYS IN CERTAIN FUNDS DESCRIBED IN THE INDENTURE AND INVESTMENT EARNINGS THEREON. THE BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK OR THE COUNTY OF ONEIDA OR ANY OTHER MUNICIPALITY OF THE STATE OF NEW YORK, AND NEITHER THE STATE OF NEW YORK, THE COUNTY OF ONEIDA, NOR ANY OTHER MUNICIPALITY OF THE STATE OF NEW YORK, SHALL BE LIABLE ON THE BONDS, OTHER THAN THE ISSUER TO THE EXTENT PROVIDED IN THE INDENTURE. THE ISSUER IS NOT AUTHORIZED TO LEVY OR COLLECT ANY TAXES OR ASSESSMENTS TO PAY THE BONDS OR FOR ANY OTHER PURPOSE. THE ISSUER MAKES NO REPRESENTATION OR WARRANTY AS TO THE ADEQUACY OR SUFFICIENCY OF THE SECURITY FOR THE BONDS.

Pursuant to the Indenture, the Issuer will pledge and assign all loan repayments to be made by the System pursuant to the Loan Agreement and all amounts held under the Indenture (other than in the Rebate Fund, as defined in the Indenture) to the Bond Trustee under the Indenture, to secure the payment of the Bonds. Under the Loan Agreement, the System is required to make loan payments at times and in

amounts sufficient to enable the Issuer to pay in full when due all principal of and premium, if any, and interest on the Bonds. The Issuer will pledge and assign its right, title and interest in the Loan Agreement and Obligation No. 1 to the Bond Trustee pursuant to the Pledge and Assignment.

In order to evidence and secure the obligations of the System under the Loan Agreement, the System will issue to the Issuer its Obligation No. 1 (the "*Obligation No. 1*") in the principal amount of $254,670,000*, dated as of November 1, 2019, to evidence its obligation to repay the loan made with the proceeds of the Bonds pursuant to the Loan Agreement. The System will execute and deliver Obligation No. 1 to the Issuer pursuant to the Amended and Restated Master Trust Indenture, dated as of November 1, 2019, as amended and supplemented from time to time in accordance with its terms (the "*New Master Indenture*"), among the Obligated Group and The Bank of New York Mellon, as master trustee (the "*Master Trustee*") and a Supplemental Master Trust Indenture for Obligation No. 1, dated as of November 1, 2019 (the "*Supplemental Indenture No. 1*" and, together with the New Master Indenture, the "*Master Indenture*") among the Members of the Obligated Group and the Master Trustee.

The System proposes to execute and deliver the New Master Indenture in order to amend and restate the Master Trust Indenture, dated as of March 1, 1998, among Faxton-St. Luke's Healthcare (formerly known as St. Luke's-Memorial Hospital Center), MVHS (formerly known as Mohawk Valley Network, Inc.) and The Chase Manhattan Bank, predecessor to The Bank of New York Mellon, as master trustee) (the "*Existing Master Indenture*") on the Date of Issue of the Bonds. Pursuant to the terms of the Existing Master Indenture, receipt of the consent of the owners of at least a majority in the aggregate principal amount of Obligations Outstanding under the Existing Master Indenture is required for the Master Indenture to be effective. **Each purchaser of the Bonds will be deemed to have consented to the execution and delivery of the Master Indenture.** It is expected that the necessary consents required for the Master Indenture to become effective will have been received on the Date of Issue of the Bonds. The Bonds will be secured by Obligation No. 1 subject to the terms and provisions of the Master Indenture, and only such terms and provisions are summarized herein and in APPENDIX D – "FORM OF MASTER INDENTURE" hereto. *See* "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – The Master Indenture" herein.

Subject to certain conditions specified in the Master Indenture, other entities may become Members of or, once Members, may withdraw from the Obligated Group. *See* APPENDIX D – "FORM OF MASTER INDENTURE – Additional Members of the Obligated Group," and "– Withdrawal From Obligated Group". Payments on Obligation No. 1 are required to be in an amount sufficient to pay when due the principal of, premium, if any, and interest on, and purchase price with respect to, the Bonds. The Obligated Group and any other future Members of the Obligated Group are jointly and severally liable with respect to such payments as provided in the Master Indenture. *See* "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein and APPENDIX D – "FORM OF MASTER INDENTURE – Source of Payment of Obligations and Other Obligations."

Each Obligation (as defined in the Master Indenture), including Obligation No. 1, is, or will be when issued, an unlimited general obligation of each Member of the Obligated Group, issued and secured on a parity basis with the lien on the Pledged Revenues (defined below) under the Master Indenture. The Members of the Obligated Group pursuant to the Master Indenture, have granted to the Master Trustee a pledge of and a security interest in certain pledged revenues (the "*Pledged Revenues*"), which will be perfected to the extent that the same may be perfected pursuant to the New York Uniform Commercial

* Preliminary, subject to change.

Code. Obligation No. 1 is also secured by a Mortgage and Security Agreement, dated as of November 1, 2019 (the "*Mortgage*"), from the System to the Issuer. The Issuer will assign to the Master Trustee its rights under the Mortgage pursuant to an Assignment of Mortgage and Security Agreement dated as of November 1, 2019. The Mortgage encumbers certain real property owned by the System (the "Mortgaged Property") in Utica, New York. No other real estate of the System or the other Members of the Obligated Group is or will be subject to the Mortgage or pledged in any respect to secure the Obligations of the Obligated Group under the Master Indenture. Future Obligations issued under the Master Indenture may, at the option of the Obligated Group, be secured, on a parity basis with Obligation No. 1, by a mortgage lien on and security interest in the Mortgaged Property. *See* "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein and APPENDIX D – "FORM OF MASTER INDENTURE – Source of Payment of Obligations and Other Obligations."

The Obligated Group

MVHS is a fully integrated, not-for-profit healthcare system that serves the residents of Utica, New York and surrounding areas in Oneida County. The System includes two acute care hospitals on three campuses with 571 licensed beds, 20 primary care offices, 11 specialty offices, seven dialysis locations, one long-term care facility, one home care agency, an ambulatory surgery center joint venture, counseling services, social services, and inpatient and outpatient substance abuse addiction management services. The System is organized as an active parent model with much of the management responsibilities performed by the parent, MVHS. Each hospital within the System, Faxton St. Luke's Healthcare ("*FSLH*"), and St. Elizabeth Medical Center ("*SEMC*" or "*St. Elizabeth*"), retains its own corporate existence but is governed by the same Board of Directors which operates in a joint model to ensure consistency across the organization.

The Obligated Group consists of MVHS, FSLH and SEMC (each, a "*Member*" and collectively, *the Obligated Group*" or the "*Members of the Obligated Group*"). For more information on the Obligated Group, *see* APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM."

Bond Insurance

The scheduled payment of principal of and interest on the Series 2019A Bonds maturing on _____ of years ___ through ___, inclusive, and the Series 2019B Bonds maturing on _____ of years ___ through ___, inclusive (collectively, the "*Insured Bonds*") when due will be guaranteed under a Municipal Bond Insurance Policy (the "*Policy*") to be issued concurrently with the delivery of the Series 2019 Bonds by Assured Guaranty Municipal Corp (the "*Insurer*"). See "BOND INSURANCE" and APPENDIX H – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Continuing Disclosure

The System will undertake, pursuant to a Continuing Disclosure Agreement, to provide certain annual and quarterly financial information and notices of the occurrence of certain events to the Municipal Securities Rulemaking Board (the "*MSRB*") at the MSRB's Electronic Municipal Market Access website ("*EMMA*") at http://emma.msrb.org. A brief description of this undertaking is set forth under "CONTINUING DISCLOSURE" and a form of the Continuing Disclosure Agreement is included in APPENDIX G – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Financial Statements

The consolidated financial statements of the System and its subsidiaries for the fiscal years ended December 31, 2018 and 2017 included in APPENDIX B – "AUDITED CONSOLIDATED FINANCIAL

STATEMENTS OF MOHAWK VALLEY HEALTH SYSTEM AND ITS SUBSIDIARIES" to this Official Statement have been audited by Fust Charles Chambers LLP, independent auditors, as stated in their report appearing therein. Certain financial information for the Obligated Group, derived from the audited financial statements, is included in APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM – FINANCIAL AND OPERATING INFORMATION – General" and "– MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE."

The financial information relating to the System included in APPENDIX A and APPENDIX B includes revenues and expenses and assets and liabilities of affiliates. The revenues and assets of certain of those affiliates may not be available to pay Obligations of the System under the Master Indenture, but those revenues and assets and the related expenses and liabilities are deemed by the System to be not material in the aggregate.

Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement, summaries of the Indenture and the Loan Agreement and the form of the Master Indenture are included in this Official Statement in APPENDIX C – "GLOSSARY AND SUMMARIES OF CERTAIN PROVISIONS OF CERTAIN OF THE BOND DOCUMENTS," and APPENDIX D – "FORM OF MASTER INDENTURE." Those definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of those documents, copies of which will be provided to any prospective purchaser requesting the same of the Bond Trustee, upon payment by such prospective purchaser of the cost of complying with such request.

THE ISSUER

The Issuer is a not-for-profit local development corporation organized under the laws of the State of New York. The Issuer was formed for the purpose of (a) promoting community and economic development and the creation of jobs in the non-profit and for-profit sectors for citizens of the County of Oneida, New York (the "*County*") by developing and providing programs for not-for-profit institutions, manufacturing and industrial business and other entities to access low interest tax-exempt and non tax-exempt financing for their eligible projects, and (b) undertaking projects and activities within the County for the purposes of relieving and reducing unemployment, bettering and maintaining job opportunities, carrying on scientific research for the purpose of aiding the County by attracting new industry to the County or by encouraging the development of, or retention of, industry in the County, and lessening the burdens of government and acting in the public interest.

The Issuer has seven directors. The directors of the Issuer are appointed by and serve at the pleasure of the County Legislature.

The Issuer has offered and plans to offer obligations from time to time to finance other health care facilities and eligible projects. Such obligations have been and will be issued pursuant to and secured by instruments separate and apart from the Indenture. Payments on these other obligations will be payable solely from revenue pledged under the separate instruments relating to such obligations and not from any revenue pledged under the Indenture.

The Issuer has not prepared or assisted in the preparation of this Official Statement, except the statements made under this caption and the caption "LITIGATION – The Issuer" and, except as aforesaid, the Issuer is not responsible for any statements made in this Official Statement. Except for the execution and delivery of documents required to affect the issuance of the Bonds, the Issuer has not otherwise

assisted in the public offer, sale or distribution of the Bonds. Accordingly, except as aforesaid, the Issuer disclaims responsibility for the disclosures set forth in this Official Statement or otherwise made in connection with the offer, sale and distribution of the Bonds.

THE BONDS

This Official Statement summarizes certain terms and provisions of the Bonds only while in a Fixed Rate Mode. If any Bond is changed from a Fixed Rate Mode to a different Interest Rate Mode, the System will supplement this Official Statement or deliver a new offering document describing the new Interest Rate Mode and the terms and provisions of the documents relating thereto.

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds and to the Indenture for a more detailed description of such provisions. The Bonds are secured by the Indenture, Loan Agreement and Obligation No. 1. *See* APPENDIX C – "GLOSSARY AND SUMMARIES OF CERTAIN PROVISIONS OF CERTAIN OF THE BOND DOCUMENTS."

General

The Bonds will be dated their Date of Issue and will mature, subject to the redemption provisions set forth below, in the amounts and on the dates set forth on the inside cover page to this Official Statement. The principal or redemption price of or purchase price for the Bonds will be payable in lawful money of the United States of America. Interest on the Bonds (based on a 360-day year of twelve 30-day months) will be payable (i) commencing on June 1, 2020, and semi-annually thereafter on each June 1 and December 1, (ii) on each Purchase Date, (iii) on each Redemption Date and (iv) on each Maturity Date, at the rates set forth on the inside cover page to this Official Statement.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. Individual purchases of interests in the Bonds will be made in book-entry form only, in authorized denominations. Purchasers of such interests will not receive certificates representing their interest in the Bonds. For a description of the method of payment of principal of, premium, if any, and interest on the Bonds while in the Book-Entry System, *see* the information herein in APPENDIX F – "BOOK-ENTRY SYSTEM."

In the event the Book-Entry System is discontinued, the following provisions would apply. The installments of interest described herein and any Sinking Fund Payment or principal payment due prior to maturity on the Bonds shall, as provided in the Indenture, be paid to the Person in whose name such Bond (or one or more Predecessor Bonds) is registered at the close of business on the fifteenth day (whether or not a Business Day) of the calendar month immediately preceding the calendar month in which the applicable Interest Payment Date occurs (the "*Regular Record Date*"), and shall be paid by check or draft of the Bond Trustee mailed by the Bond Trustee on such Interest Payment Date to such registered Owner at his address appearing on the registration books of the Issuer, or at the written request of any Holder of Bonds in an aggregate principal amount of $250,000 or greater be transmitted on such Interest Payment Date by wire transfer in immediately available funds at such Holder's written request to the bank account number on file with the Bond Trustee, provided such Holder has delivered adequate instructions regarding same to the Bond Trustee at least ten (10) Business Days prior to such Bond Payment Date. Any such interest, Sinking Fund Payment or principal payment not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the Person in whose name such Bond (or one or more Predecessor Bonds) is registered at the close of business on a date for the payment of such Defaulted Payment to be fixed by the Bond Trustee (the "*Special Record Date*"), notice whereof being mailed one time, first-class postage prepaid, to registered

owners of the Bonds not less than ten (10) days prior to such Special Record Date, or may be paid in any other lawful manner as shall be determined by the Bond Trustee.

Redemption

Optional Redemption

Series 2019A Bonds:

The Series 2019A Bonds maturing on or after _____1, 20__ but prior to _____1, 20__ are subject to redemption prior to their Maturity Date at the option of the System, in whole or in part at any time, on or after _____1, 20__, at a redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption. The Series 2019A Bonds maturing on or after _____1, 20__ are subject to redemption prior to their Maturity Date at the option of the System, in whole or in part at any time, on or after _____1, 20__, at a redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

Series 2019B Bonds:

The Series 2019B Bonds are subject to optional redemption prior to their maturity at the option of the System in whole or in part on any date, at a redemption price (the "*Make-Whole Redemption Price*") equal to the greater of:

(1) 100% of the principal amount of the Series 2019B Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the stated maturity date of such Series 2019B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2019B Bonds are to be redeemed, discounted to the date on which such Series 2019B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus ___ basis points;

plus in each case, accrued interest on such Series 2019B Bonds to be redeemed to but not including the redemption date.

At the request of the Bond Trustee, the redemption price of the Series 2019B Bonds to be redeemed shall be determined by an independent accounting firm, investment banking firm or financial advisor retained by the System at the Obligated Group's expense to calculate such redemption price. The Bond Trustee and the Obligated Group may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and shall not be liable for such reliance.

For purpose of this Section, "Treasury Rate" means, with respect to any redemption date for a particular Series 2019B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2019B Bonds; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually

traded United States Treasury securities adjusted to a constant maturity of one year shall be the "*Treasury Rate*."

Mandatory Sinking Fund Redemption

The Series 2019A Bonds shall be subject to mandatory sinking fund redemption and payment prior to maturity pursuant to the mandatory sinking fund redemption requirements of the Indenture on each December 1 of the years shown below, at the principal amount thereof plus accrued interest to the Redemption Date, without premium, as follows:

Mandatory Sinking Account Payment Date (December) 1	Mandatory Sinking Account Payments
†	

† Stated maturity.

The Series 2019B Bonds shall be subject to mandatory sinking fund redemption and payment prior to maturity pursuant to the mandatory sinking fund redemption requirements of the Indenture on each December 1 of the years shown below, at the principal amount thereof plus accrued interest to the Redemption Date, without premium, as follows:

Mandatory Sinking Account Payment Date (December) 1	Mandatory Sinking Account Payments
†	

† Stated maturity.

Extraordinary Redemption

The Bonds are subject to redemption prior to maturity (1) as a whole, on any date, without premium, in the event of (a) a taking in Condemnation of, or failure of title to, all or substantially all of the Project Facility, (b) damage to or destruction of part or all of the Project Facility and election by the System to redeem the Bonds, or (c) a taking in Condemnation of part of the Project Facility and election by the System to redeem the Bonds, or (2) in part, on any Interest Payment Date, without premium, (a) in the event that (i) excess moneys remain in the Insurance and Condemnation Fund following damage or condemnation of a portion of the Project Facility and completion of the repair, rebuilding or restoration of the Project Facility by the System, and (ii) such excess moneys are not paid to the System, (b) excess moneys remain in the Project Fund after the Completion Date, or (c) excess proceeds of recoveries from contractors are applied to redeem Bonds, in each case to the extent of such excess. In any such event, the Bonds shall be redeemed, pursuant to the relevant provisions of the Indenture, as a whole or in part, as the

case may be, at such time as the Bond Trustee determines, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

Mandatory Redemption in Event of Taxability

The Series 2019A Bonds are also subject to redemption prior to maturity upon the occurrence of an Event of Taxability. In such event, the Series 2019A Bonds shall be subject to redemption, as a whole, as soon as possible after the discovery of such Event of Taxability, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the Redemption Date, without premium.

Notice of Redemption; Effect of Redemption; Rescission of Notice of Redemption

Notice of the intended redemption (other than a mandatory sinking fund redemption) of each Bond subject to redemption shall be given by the Bond Trustee one time by first class mail postage prepaid to the registered Owner of such Bond at the address of such Owner shown on the bond register maintained by the Bond Trustee as Bond Registrar. All such redemption notices shall be given not less than thirty (30) days prior nor more than sixty (60) days prior to the date fixed for redemption. A follow-up notice shall be given by the Bond Trustee by registered or certified mail to each registered Owner who has not submitted a Bond subject to redemption within ninety (90) to one hundred twenty (120) days following the Redemption Date. Each notice shall specify the Redemption Price, the principal amount of the Bonds to be redeemed, the numbers of the Bonds to be redeemed if less than all of the Bonds are to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable. Such notice shall further state that payment of the applicable Redemption Price plus accrued interest to the Redemption Date will be made upon presentation and surrender of the Bonds or portions thereof to be redeemed; that upon presentation and surrender to the Bond Trustee of any Bond being redeemed in part, a new Bond in the principal amount of the unredeemed portion of such Bond will be issued; and that the Bonds or portions thereof so called for redemption will be deemed redeemed and will cease to bear interest on the specified Redemption Date, provided that moneys for their redemption have been duly deposited in the Bond Fund; and, except for the purpose of payment, that such Bonds will no longer be protected by the Indenture. The failure to give any such notice, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Bond with respect to which no such failure to give notice, or defect therein, has occurred. Any notice of optional redemption may provide (and shall provide if the System does not deposit with the Bond Trustee moneys in an amount equal to the Redemption Price of the Bonds being redeemed at the time the System delivers to the Bond Trustee its notice of its election to cause the redemption of such Bonds) that if, on the redemption date set forth in any such notice, there is on deposit with the Bond Trustee and available therefor insufficient funds to pay the Redemption Price of all Bonds scheduled to be redeemed, such redemption may be rescinded (in which case the Bond Trustee shall promptly so notify the Holders of such Bonds in the same manner in which notice of redemption was given), and if such redemption is rescinded, the Bonds scheduled to be redeemed shall remain Outstanding as if the notice of redemption had not been sent.

In the event of any partial redemption, the particular Bonds or portions thereof to be redeemed shall be selected by the System not more than sixty (60) days prior to the Redemption Date in inverse order of maturity, except as otherwise permitted by the Indenture, and within each maturity by lot or by such other such method as the Bond Trustee shall deem fair and appropriate. If any maturity of the Bonds which is subject to sinking fund redemption is to be redeemed in part, the Trustee shall apply any partial redemption payments (other than a scheduled mandatory redemption) to the schedule of Sinking Fund Payments thereon as designated by the System.

Purchase in Lieu of Optional Redemption

The System may purchase any Bond which is redeemable by optional redemption at a Purchase Price no less than the Redemption Price to be paid to Bondholders upon optional redemption. The System may exercise such option by written request delivered to the Bond Trustee within the time period specified in the Indenture as though such written request were a written request of the Issuer for redemption, and the Bond Trustee shall thereupon give the owners of the Bonds to be purchased notice of such purchase in the manner specified therein as though such purchase were a redemption and the purchase of such Bonds shall be mandatory and enforceable against the Bondholders. In the case of the purchase of less than all of the Bonds, the particular Bonds to be purchased shall be selected in accordance with the provisions of the Indenture as though such purchase were a redemption, or in such other manner as the System shall direct, provided such selection method is described in the written request to the Bond Trustee. No purchase of Bonds pursuant to this provision shall operate to extinguish the indebtedness evidenced by the purchased Bonds.

Conversions to Other Interest Rate Modes

The Bonds will initially bear interest at Fixed Rates. On any Conversion Date, the Bonds may, at the option of the System, be converted from bearing interest in the Fixed Rate Mode to bearing interest in the Daily Rate, a Weekly Rate, an FRN Rate, a Semi-Annual Rate, a Long-Term Rate (each as further defined and described in the Indenture) or a new Fixed Rate Period in accordance with the terms of the Indenture. The Bond Trustee will provide notice of such conversion to Holders whose Bonds will be converted in accordance with the terms of the Indenture.

The date on which Bonds are to be converted, if ever, will be a mandatory purchase date for such Bonds, such Bonds must be tendered for purchase on such date, and the purchase price therefor shall be 100% of the principal amount purchased plus an amount equal to the redemption premium, if any, that would be payable if the Bonds were redeemed on the mandatory purchase date and accrued interest thereon to the mandatory purchase date.

The Indenture contains various conditions precedent that must be satisfied prior to any such conversion, including the condition that all Bonds being converted be remarketed on the proposed Conversion Date. If any condition is not satisfied, the conversion will not take effect. The Bonds will not be subject to mandatory tender for purchase and will continue in the Interest Rate Mode that was applicable on the proposed Conversion Date, without change in interest rate, maturity, sinking fund installments or other terms, and such failed conversion will not constitute an event of default under the Indenture.

The System may make certain conversions of the Interest Rate Mode conditional on the initial interest rate determined for such new Interest Rate Mode being within limits established by the Institution in the notice of conversion delivered to the Bond Trustee. If the new interest rate established by the Remarketing Agent is not within the limits established by the System, the conversion may be cancelled by the System.

If the election to convert a Bond to another Interest Rate Mode is cancelled, as provided in the paragraph above, the notice of conversion shall be of no effect, the terms of the Bonds shall remain as they were prior to the proposed conversion and the Bonds shall not be subject to any mandatory purchase. Notice of such cancellation shall be given promptly to all Bondholders.

Transfers and Exchanges

For a description of matters pertaining to transfers and exchanges while in the Book-Entry System, see the information herein in APPENDIX F – "BOOK-ENTRY SYSTEM."

So long as any of the Bonds remain outstanding, the Bond Trustee shall maintain a register for the registration and transfer of the Bonds (herein called the "*Bond Register*"), whereby such Bonds may be registered and may be presented for registration of transfer and for exchange at its Principal Office as provided in the Indenture.

Any Bond may, in accordance with its terms, be transferred, upon the Bond Register, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Bond Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Issuer shall execute and the Bond Trustee shall authenticate and deliver a new Bond or Bonds of any Authorized Denomination or Authorized Denominations of the same maturity and for a like aggregate principal amount of the same Series. The Bond Trustee shall require the Bondholder requesting such transfer or exchange to pay any cost, tax or other governmental charge required to be paid with respect to such transfer or exchange.

The Bond Trustee shall not be required to transfer or exchange any Bond during the 15 days immediately preceding a Bond Payment Date, or any Bond selected for redemption in whole or in part, except that if a Bond is selected for redemption in part the remaining portion of the Bond redeemed in part may be transferred or exchanged.

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PLAN OF FINANCE

General

The Issuer will lend the proceeds of the Bonds to MVHS under the Loan Agreement, to be applied, together with other funds of MVHS and the HCFTP Grant, toward (i) the design, development, acquisition (including land acquisition), construction and equipping of a new hospital facility, central utility plant, and related improvements (the "New Hospital Project"); (ii) the financing of certain furnishings and equipment for the existing facilities owned by Members of the Obligated Group (as defined herein); (iii) the refinancing of certain outstanding indebtedness incurred to finance and refinance miscellaneous additions, renovations, construction and improvements to, and equipment and furnishings for, certain facilities owned by Members of the Obligated Group; (iv) the refinancing of certain outstanding indebtedness previously incurred to finance costs of acquiring and installing a new EPIC electronic health record system; (v) the refinancing of the outstanding Oneida County Industrial Development Agency ("*OCIDA*") Variable Rate Demand Civic Facility Revenue Bonds, Series 2006E (Mohawk Valley Network, Inc. Obligated Group, Faxton-St. Luke's Healthcare Civic Facilities) (the "*Series 2006E Bonds*") and the outstanding OCIDA Variable Rate Demand Civic Facility Revenue Bonds, Series 2006F (Taxable) (Mohawk Valley Network, Inc. Obligated Group; Faxton-St. Luke's Healthcare Civic Facilities) (the "*Series 2006F Bonds*" and, together with the Series 2006E Bonds, the "*Series 2006 FSL Bonds*"); (vi) the funding of capitalized interest on a portion of the Bonds; and (vii) the payment of costs and expenses incidental to the issuance of the Bonds. For more information on the new hospital facility, see APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM – THE NEW REGIONAL HEALTHCARE CAMPUS."

In connection with items (i) and (iv) above, the Members of the Obligated Group previously entered into a certain revolving credit agreement, dated September 25, 2018, with Barclays Bank PLC, as credit provider (the "Barclays Revolving Credit Agreement") with a commitment amount of $60,000,000 (the "Commitment"). As of October 21, 2019, $42,823,392 was outstanding under the Barclays Revolving Credit Agreement. A portion of the proceeds of the Bonds will be used to pay down some or all of the Obligated Group's outstanding balance under the Barclays Revolving Credit Agreement. Pursuant to the terms of the Barclays Revolving Credit Agreement, the amount of the Commitment will be permanently reduced by the amount of the Bond proceeds applied toward repayment, however, if such repayment causes the Commitment to be below $35,000,000, the Obligated Group may elect to have the commitment remain outstanding in amount up to $35,000,000 for a period ending one year following the issue date of the Bonds.

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ESTIMATED SOURCES AND USES OF FUNDS*

The following table sets forth the estimated sources and uses of funds relating to the Bonds (excluding investment earnings). All amounts are shown rounded to the nearest whole dollar. Totals may not foot due to rounding.

	Series 2019A Bonds	Series 2019B Bonds	TOTAL
Sources of Funds			
Par Amount			
Premium/(Discount)			
Total Sources of Funds			
Uses of Funds			
Deposit into Project Fund			
Redemption of the Series 2006 FSL Bonds			
Swap Termination Payment			
Refinancing of Other Indebtedness			
Deposit into Capitalized Interest Fund			
Costs of Issuance†			
Total Uses of Funds			

* Preliminary, subject to change.

† Includes legal, printing, rating agency, Financial Advisor, Master Trustee and Bond Trustee fees, fees of the Issuer, underwriting discount and other miscellaneous costs of issuance.

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ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year ending December 31, the amounts estimated to be required to be made available for the payment of total debt service on the Bonds and other outstanding long-term indebtedness and capital leases. All amounts are shown rounded to the nearest whole dollar. Totals may not foot due to rounding.

Year Ending December 31	Series 2019A Bonds		Series 2019B Bonds		Other Outstanding Indebtedness[1]	Total Debt Service
	Principal*	Interest	Principal*	Interest		
2020	--		$2,325,000		$4,448,116	
2021	--		3,955,000		3,045,449	
2022	--		4,990,000		2,229,319	
2023	--		2,485,000		2,009,882	
2024	--		3,300,000		2,007,935	
2025	$3,705,000		1,000,000		882,816	
2026	4,730,000		600,000		582,998	
2027	5,200,000		--		555,264	
2028	5,400,000		--		438,934	
2029	6,015,000		--		415,668	
2030	6,630,000		--		69,278	
2031	7,015,000		--		--	
2032	7,435,000		--		--	
2033	7,810,000		--		--	
2034	8,200,000		--		--	
2035	8,610,000		--		--	
2036	9,040,000		--		--	
2037	9,490,000		--		--	
2038	9,870,000		--		--	
2039	10,265,000		--		--	
2040	10,675,000		--		--	
2041	11,105,000		--		--	
2042	11,450,000		--		--	
2043	11,810,000		--		--	
2044	12,175,000		--		--	
2045	12,555,000		--		--	
2046	13,185,000		--		--	
2047	13,845,000		--		--	
2048	14,535,000		--		--	
2049	15,265,000		--		--	
TOTAL	**$236,015,000**		**$18,655,000**		**$16,685,657**	

(*) Preliminary, subject to change.

(1) Excludes debt service on the outstanding indebtedness expected to be refunded with proceeds of the Bonds at closing. Interest rate on adjustable NBT MVO Construction Loan, which is fixed at 4.00% through March, 2021, has been assumed at 4.00% through maturity in 2026.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

THE BONDS AND THE INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM FUNDS PLEDGED UNDER THE INDENTURE AND A PLEDGE OF CERTAIN RIGHTS OF THE ISSUER (OTHER THAN UNASSIGNED RIGHTS) UNDER AND PURSUANT TO THE LOAN AGREEMENT AND FROM PAYMENTS MADE BY MEMBERS OF THE OBLIGATED GROUP ON OBLIGATION NO. 1 AND FROM MONEYS IN CERTAIN FUNDS DESCRIBED IN THE INDENTURE AND INVESTMENT EARNINGS THEREON. THE BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK OR THE COUNTY OF ONEIDA OR ANY OTHER MUNICIPALITY OF THE STATE OF NEW YORK, AND NEITHER THE STATE OF NEW YORK, THE COUNTY OF ONEIDA, NOR ANY OTHER MUNICIPALITY OF THE STATE OF NEW YORK, SHALL BE LIABLE ON THE BONDS, OTHER THAN THE ISSUER TO THE EXTENT PROVIDED IN THE INDENTURE. THE ISSUER IS NOT AUTHORIZED TO LEVY OR COLLECT ANY TAXES OR ASSESSMENTS TO PAY THE BONDS OR FOR ANY OTHER PURPOSE. THE ISSUER MAKES NO REPRESENTATION OR WARRANTY AS TO THE ADEQUACY OR SUFFICIENCY OF THE SECURITY FOR THE BONDS.

The Bonds will be special, limited obligations of the Issuer, payable solely from pledged funds held by the Bond Trustee under the Indenture and from loan repayments made by the System pursuant to the Loan Agreement, which, in the aggregate, are required to be in an amount sufficient to pay (1) in full, when due, the total interest payable on the Bonds to their maturities or earlier redemption, and the total principal amount of the Bonds and the premium, if any, payable on redemption prior to their stated maturity, in accordance with the Indenture, and (2) certain expenses of the Issuer and the Bond Trustee.

The Indenture

Pursuant to the Indenture, the Issuer will pledge and assign all loan repayments to be made by MVHS pursuant to the Loan Agreement and all amounts held in any fund or account established under the Indenture to the Bond Trustee, and grant a security interest to the Bond Trustee and assign its right to receive those loan repayments and in the pledged funds and all revenues and any other amounts held in any fund or account established pursuant to the Indenture (other than in the Rebate Fund) and all right, title and interest in the Loan Agreement, except certain rights to receive fees and expenses and the right to indemnification, to secure the payment of the Bonds. The Issuer will pledge and assign its right, title and interest in the Loan Agreement and Obligation No. 1 to the Bond Trustee pursuant to the Pledge and Assignment.

The Loan Agreement

Under the Loan Agreement, MVHS will be required to make loan payments to the Bond Trustee in amounts sufficient to pay the principal of and interest on the Bonds when due, and to make certain other payments as described therein. The System's obligations to make loan payments and to pay other amounts under the Loan Agreement are absolute and unconditional without any abatement or diminution thereof.

The Master Indenture

CONCURRENTLY WITH THE ISSUANCE OF THE BONDS, THE OBLIGATED GROUP INTENDS TO AMEND AND RESTATE THE ORIGINAL MASTER INDENTURE. THE MASTER INDENTURE AS DESCRIBED IN THIS OFFICIAL STATEMENT IS THE AMENDED AND RESTATED MASTER INDENTURE. BY ACCEPTANCE OF THE BONDS, THE PURCHASERS THEREOF WILL BE DEEMED TO HAVE CONSENTED TO THE EXECUTION BY THE OBLIGATED GROUP AND THE MASTER TRUSTEE OF THE MASTER INDENTURE AND THE AMENDMENT AND RESTATEMENT OF THE ORIGINAL MASTER INDENTURE IN ITS ENTIRETY.

General. The Bonds will be secured by Obligation No. 1 subject to the terms and provisions of the Master Indenture, and only such terms and provisions are summarized herein and in APPENDIX D – "FORM OF MASTER INDENTURE" hereto.

Obligation No. 1 is pledged and assigned by the Issuer to the Bond Trustee as security for the payment of the principal of, premium, if any, and interest on and purchase price for the Bonds. Each Obligation, including Obligation No. 1, is, or when issued will be, an unlimited general obligation of each Member of the Obligated Group, subject to the provisions of the Master Indenture. Under the Master Indenture, each Obligated Group Member is jointly and severally liable for payment of the Obligations issued thereunder.

Persons may become Members of the Obligated Group, and Members may withdraw from the Obligated Group, pursuant to the provisions of the Master Indenture summarized in APPENDIX D – "FORM OF MASTER INDENTURE – Additional Members of the Obligated Group" and "– Withdrawal From Obligated Group." No expansion of the Obligated Group beyond the current Members of the Obligated Group is planned as of the date of this Official Statement. Accordingly, references herein to the Obligated Group refer to the Obligated Group insofar as such references pertain to the Obligated Group as of the date of the initial delivery of the Bonds and refer to the Obligated Group as it may be constituted from time to time in accordance with the foregoing insofar as the references pertain to the Obligated Group as of any subsequent date.

Restricted Affiliates. In determining whether the Obligated Group has satisfied certain financial covenants, the Master Indenture permits the System to include the income and assets of the Obligated Group and certain affiliates in calculating the related ratios and in testing for compliance, even though such affiliates are not obligated under the Obligations or the Loan Agreement. Such affiliates are referred to as "*Restricted Affiliates*" and the Obligated Group together with the Restricted Affiliates comprise the "*Combined Group.*" Notwithstanding anything in the Master Indenture to the contrary, in computing or calculating Debt Service Coverage Ratio and other quantitative financial tests or provisions, the Obligated Group, at the option of the Obligated Group Representative, may utilize financial and other information either (i) with respect to the Combined Group in the aggregate or (ii) so long as the Obligated Group constitutes or is responsible for at least eighty percent (80%) of the assets and revenues of the System for the most recent Fiscal Year of the System, with respect to the System in the aggregate, such percentage to be calculated in a manner that excludes intercompany eliminations from the numerator of such calculation. *See* APPENDIX D – "FORM OF MASTER INDENTURE – Conditions for Designation of Restricted Affiliates." There will not be any Restricted Affiliates under the Master Indenture as of the Date of Issue.

Annual Debt Service Test. Pursuant to the Master Indenture, the Combined Group agrees to manage its businesses such that the ratio (expressed as a percentage) of Net Income Available for Debt Service for the Fiscal Year in question to the Debt Service Requirement as of the date of computation (the

"*Debt Service Coverage Ratio*"), commencing with the Fiscal Year ending December 31, 2020, will not be less than 1.10x. If at any time the Debt Service Coverage Ratio required by the Master Indenture is not met, the Obligated Group agrees to retain an independent Consultant to make recommendations to increase the Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the independent Consultant the attainment of that level is impracticable, to the highest level attainable. Any independent Consultant so retained shall be required to submit recommendations within ninety (90) days after being retained. Each Member of the Obligated Group agrees that it will (and shall cause each Restricted Affiliate to), to the extent permitted by law, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each member of the Combined Group shall follow the Consultant's recommendations to the extent permitted by law, the Obligated Group shall be deemed to be in compliance with this Section under the Master Indenture even if the Debt Service Coverage Ratio for the following Fiscal Year is below the required level, provided that the revenues and the amount of the Unrestricted Cash and Investments shall be sufficient to pay, when due, the Operating Expenses of the Combined Group and the debt service on all Debt of the Combined Group for the Fiscal Year. The Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this section of the Master Indenture more frequently than biennially.

If a report of a Consultant is delivered to the Master Trustee to the effect that applicable laws and governmental regulations have been imposed which make it impossible for the coverage requirement in clause (a) to be met, then the coverage requirement shall be reduced to the maximum coverage permitted by applicable laws and governmental regulations but in no event less than 1.00x. Thereafter, for so long as those applicable laws and governmental regulations are in effect, a report of a Consultant stating that those applicable laws and governmental regulations make it impossible for the coverage requirement in clause (a) to be met shall be delivered to the Master Trustee biennially. Notwithstanding the foregoing, it shall be an Event of Default under the Master Indenture if for any two consecutive Fiscal Years the Debt Service Coverage Ratio is less than 1.00x. *See* APPENDIX D –"FORM OF MASTER INDENTURE – Debt Service Coverage Ratio."

Pledged Revenues. Under the Master Indenture, each member of the Obligated Group has granted to the Master Trustee for the equal and ratable benefit of the holders of all Obligations issued under the Master Indenture (including Obligation No. 1) a first lien on and security interest in its Pledged Revenues subject to the provisions of the Master Indenture. Pledged Revenues is defined in the Master Indenture as all receipts, income, rents, royalties, benefits and other revenue from the operation of the Obligated Group's facilities and all rights to receive such revenue, including without limitation: (1) contributions, donations and pledges, whether in the form of cash, securities or other personal property; (2) all rights to receive such revenue in the form of accounts (including health-care-insurance receivables), contract rights, Medicare and Medicaid receivables, chattel paper, instruments, rights under agreements with insurance companies, or other similar rights; and (3) the proceeds of any of the foregoing, including any insurance thereon; whether such revenues or rights are now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Obligated Group; provided, however, that there shall be excluded from Pledged Revenues (i) gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income derived therefrom, to the extent required by such designation, (ii) all receipts, revenues, income and other moneys received or receivable by or on behalf of a Member of the Obligated Group, and all rights to receive the same whether in the form of accounts, payment intangibles, contract rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof as such terms are presently or hereinafter defined in the New York Uniform Commercial Code, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, any of which is derived from the Excluded Property which constitutes real property, (iii) to the extent that applicable law precludes granting of a security interest in, or a pledge or assignment of, any portion of such revenue, or the right to receive the

same, or both, such revenue or right shall be excluded from Pledged Revenues, and (iv) insurance proceeds relating to assets financed by a third party through a capital lease permitted under the Indenture or subject to an operating lease as to which any Member of the Obligated Group is the lessee. *See* APPENDIX D – "FORM OF MASTER INDENTURE – Pledged Revenues."

Outstanding and Additional Obligations. As of the Date of Issue, the outstanding aggregate principal amount of the Obligations (including Obligation No. 1) issued under the Master Indenture to secure revenue bonds issued for the benefit of the Obligated Group and other indebtedness of the Obligated Group is expected to be $316,995,316[*].

Concurrently with the issuance of the Bonds on the Date of Issue, the Obligated Group expects to issue new Obligations under the Master Indenture to secure a line of credit in the maximum amount of $30,000,000 from Bank of America, N.A. and a line of credit in the maximum amount of $20,000,000 from Bank of America, N.A. on parity with the liens on the Pledged Revenues and the Mortgage under the Master Indenture with Obligation No. 1 and other Obligations then outstanding, respectively. In addition, the amount outstanding under the Barclays Revolving Credit Agreement on the Date of Issue will be secured by a new Obligation on parity with the lien on the Pledged Revenues and the Mortgage under the Master Indenture with Obligation No. 1 and other Obligations then outstanding.

Pursuant to the Master Indenture, additional Obligations may be issued from time to time in the future, and such other Obligations will be secured on parity with the lien on the Pledged Revenues under the Master Indenture with Obligation No. 1 and other Obligations then outstanding.

Mortgage. To secure the payments required by the Master Indenture to be made by the Members of the Obligated Group on Obligation No. 1, and the performance by the Members of the Obligated Group of their other obligations under the Master Indenture relating to Obligation No. 1, the System, pursuant to a Mortgage and Security Agreement, dated as of November 1, 2019 from the System to the Issuer, will grant to the Issuer a mortgage lien on and security interest in certain real and personal property owned by the System in the City of Utica (the "*Mortgaged Property*"). The Issuer will assign to the Master Trustee its rights under the Mortgage pursuant to an Assignment of Mortgage and Security Agreement dated as of November 1, 2019. Future Obligations issued under the Master Indenture may, at the option of the Obligated Group, be secured, on a parity basis with Obligation No. 1, by a mortgage lien on and security interest in the Mortgaged Property. *See* APPENDIX D – "FORM OF MASTER INDENTURE – Restrictions on Creations of Liens."

The Mortgaged Property will consist of the land within the footprint of the System's new hospital and central utility plant buildings. As of the Date of Issue, the System has acquired, or has contracts and/or options to acquire, all of the land within the footprint of the new hospital facility and central utility plant buildings except for several public streets. The City of Utica has taken the required steps to abandon the streets but title to those streets has not yet been conveyed to the System. The System expects the City of Utica will complete the street conveyances in the near future. When the System acquires the remaining land that is part of the Mortgaged Property, it will execute and deliver such documents as are necessary to spread the lien of the Mortgage to include the additional land or to grant the Master Trustee a new mortgage on the additional land.

[*] Preliminary, subject to change.

The Mortgaged Property will include only land within the footprint of the new hospital and central utility plant buildings, together with improvements constructed thereon and furniture, fixtures and equipment located therein. No other real property owned by any Member of the Obligated Group will be subject to a mortgage in favor of the Master Trustee. Upon completion of the new hospital, the System expects to transfer title to the Mortgaged Property to FSLH, subject to the lien of the Mortgage.

There can be no assurance, should the Master Trustee foreclose on the lien of the Mortgage upon an Event of Default under the Master Indenture, that the Master Trustee will receive sufficient funds from the sale of the Mortgaged Property to satisfy all of the Obligated Group's obligations under the Master Indenture. While the System has covenanted in the Mortgage that it has fee simple title or a valid leasehold interest to and in the applicable mortgaged property, no third party has insured the state of the title in connection with the issuance of the Bonds. See "PART II – BONDHOLDERS' RISKS — Limitation of Value on Mortgaged Property."

Additional Covenants in the Master Indenture. Pursuant to the Master Indenture, the Members of the Obligated Group are subject to other additional covenants under the Master Indenture restricting, among other things, incurrence of Indebtedness, existence of Liens on Property, consolidation and merger, disposition of assets, and exchange of Obligations. *See* APPENDIX D – "FORM OF MASTER INDENTURE."

The Master Indenture permits each Member of the Obligated Group to issue or incur additional indebtedness evidenced by Obligations that will be secured on a parity with the lien on the Pledged Revenues securing Obligation No. 1 and any other obligations previously or hereafter issued under the Master Indenture. Such additional Obligations will not be secured by the money or investments in any fund or account held by the Bond Trustee under the Indenture as security for the Bonds. *See* APPENDIX D – "FORM OF MASTER INDENTURE – No Encumbrance on Trust Estate."

Under certain circumstances, Obligation No. 1 may be exchanged, without the consent of any of the Holders of the Bonds, for an obligation of a different obligated group or credit group. Under certain circumstances, this could lead to the substitution of different security in the form of an obligation backed by an obligated group or credit group that is financially and operationally different from the then existing Obligated Group. That new obligated group or credit group could have substantial debt outstanding that would rank on a parity basis with the obligation substituted for Obligation No. 1. *See* APPENDIX D – "FORM OF MASTER INDENTURE – Substitution of Obligation."

Enforceability. The enforceability of and remedies available upon an event of default under the Loan Agreement, the Indenture or the Master Indenture are subject to various legal uncertainties and, in many respects, may be dependent upon judicial actions, which are often subject to discretion and delay. *See* "PART II – BONDHOLDERS' RISKS – Security and Enforceability."

Amendments to the Master Indenture. MVHS, as Obligated Group Representative, and the Master Trustee may, without the consent of or notice to any owners of Obligations or the Bonds, amend or supplement the Master Indenture for certain purposes as described in the Master Indenture and may amend or supplement the Master Indenture for other purposes with the consent of the owners of not less than a majority in aggregate principal amount of the Obligations outstanding, but without notice to or consent of owners of the Bonds. The Bond Trustee will be deemed to be the owner of Obligation No. 1. *See* APPENDIX D – "FORM OF MASTER INDENTURE – Amendments Without Consent of Holders" and "– Amendments Requiring Consent of All Affected Holders."

Additional Rights of Bond Insurer. The scheduled payment of principal of and interest on the Insured Bonds when due will be guaranteed under the Policy to be issued concurrently with the delivery

of the Bonds by the Insurer. See "BOND INSURANCE" and APPENDIX H – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY." As a condition to issuing the Policy, the Insurer has requested that the Obligated Group grant the Insurer certain additional rights and comply with certain financial covenants that may not be available for the benefit of Bondholders and holders of other Obligations issued under the Master Indenture.

BOND INSURANCE

The information in this section has been prepared by the Insurer for inclusion in this Official Statement. None of the Issuer, the Members of the Obligated Group or the Underwriter has reviewed this information, nor do Issuer, the Members of the Obligated Group or the Underwriter make any representation as to the accuracy or completeness thereof. The following is not a complete summary of the Policy and reference is made to the specimen of the Policy attached as APPENDIX H hereto.

Bond Insurance Policy

Concurrently with the issuance of the Series 2019 Bonds, the Assured Guaranty Municipal Corp. ("*AGM*") will issue its Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX H to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

On June 27, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At June 30, 2019:

- The policyholders' surplus of AGM was approximately $2,530 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,082 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,853 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

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

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

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

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - Municipal Bond Insurance Policy Option."

BONDHOLDERS' RISKS

There are risks associated with the purchase of the Bonds. Some of the identifiable risks which should be considered when making an investment decision regarding the Bonds are discussed in PART II herein. See PART II – "BONDHOLDERS' RISKS" *for a discussion of certain of these risks. The risks discussed should be read in conjunction with* APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM" *and the discussion set forth in* PART II – "REGULATION OF THE HEALTH CARE INDUSTRY."

REGULATION OF THE HEALTH CARE INDUSTRY

MVHS, Members of the Obligated Group and the health care industry in general, is subject to regulation by a number of governmental agencies, including those which administer the Medicare and Medicaid programs, federal, state and local agencies responsible for administration of health planning programs and other federal, state and local governmental agencies. The health care industry is also affected by federal, state and local policies developed to regulate the manner in which health care is provided, administered and paid for nationally and locally. As a result, the health care industry is sensitive to legislative and regulatory changes in such programs and is affected by reductions and limitations in government spending for such programs as well as changing health care policies. See

PART II – "REGULATION OF THE HEALTH CARE INDUSTRY" *for a discussion of such regulations, programs and policies.*

LITIGATION

The Issuer

There is not now pending or, to the knowledge of the Issuer, threatened, any litigation or other proceedings restraining or enjoining the issuance or sale of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they were issued. There is no litigation or other proceedings pending or, to the Issuer's knowledge, threatened, which in any manner questions the right of the Issuer to enter into the Loan Agreement or the Indenture relating to the Bonds or to secure the Bonds in the manner provided in such Indenture and the Act.

The Obligated Group

Except for the litigation regarding certain historic and environmental reviews of the New Hospital Project described below, there is no controversy or litigation of any nature now pending against the System or any Member of the Obligated Group or, to the knowledge of the officers of the System, threatened, restraining or enjoining the issuance of the Bonds or Obligation No. 1 or in any way contesting or affecting (i) the validity of the Bonds or Obligation No. 1, or (ii) any proceedings of the System taken concerning the issuance or sale thereof, or the collection of revenues pledged under the Indenture or the Master Indenture. There is no litigation or proceeding pending or, to the knowledge of the officers of the System, threatened against the System or any Member of the Obligated Group except for (i) the litigation regarding certain historic and environmental reviews of the New Hospital Project described below, (ii) litigation being defended by insurance carriers on behalf of the System or such Member of the Obligated Group, the claims in which are entirely within the insurance policy limits of the System or such Member of the Obligated Group, (iii) litigation in which the expected maximum aggregate recovery against the System or such Member of the Obligated Group could be satisfied from the insurance or the reserves maintained by the System or (iv) claims for damages arising in the ordinary course of its operations, none of which is deemed to be material to the operation or condition, financial or otherwise, of the System or such Member of the Obligated Group. Except for the litigation regarding certain historic and environmental reviews of the New Hospital Project describe below, there is no litigation pending or, to the knowledge of the officers of the System, threatened that could reasonably be expected to have a material adverse effect upon the operations or financial condition of the System or such Member of the Obligated Group.

In May, 2019, several local residents and businesses (the "Plaintiffs") filed a lawsuit against the City of Utica Planning Board, the New York State Office of Parks, Recreation and Historic Preservation, and the Dormitory Authority of the State of New York (collectively, the "Agencies") and the System challenging the Agencies' review of the historic/cultural, archeological and environmental impacts (the "Historic and Environmental Reviews") of the New Hospital Project. New York State law requires that these Historic and Environmental Reviews be completed before public agencies may approve the New Hospital Project. The Plaintiffs seek a judgment declaring that the Historic and Environmental Reviews are invalid and an order directing the Agencies and the System to resume the Historic and Environmental Review process including further testing, consideration of alternatives, and development of avoidance/mitigation plans. The System believes the Historic and Environmental Reviews were properly completed in accordance with all legal requirements and are therefore valid. In the unlikely event the Court declares the Historic and Environmental Reviews to be invalid, and this decision is upheld upon any appeal by the Agencies and the System, the Agencies and the System may be required to reopen their Historic and Environmental Reviews and proceed with further testing, consideration of alternatives,

and/or development of additional avoidance/mitigation plans. If this were to occur the New Hospital Project may be delayed while the additional review process is completed, but the System believes the results of any further Historic and Environmental Review process would not materially affect the System's ability to complete the New Hospital Project. For more information on the litigation regarding certain historic and environmental reviews of the New Hospital Project, *see* APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM – LITIGATION."

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement relating to the Bonds, dated as of November 1, 2019 (the "*Continuing Disclosure Agreement*"), between the System and Digital Assurance Certification, L.L.C., as dissemination agent, regarding the provision of certain information in accordance with the requirements of Rule 15c2-12 (the "*Rule*") promulgated by the Securities and Exchange Commission (the "*SEC*"), the System will provide to the MSRB through EMMA the audited financial statements of the System and certain operating data of the System and Obligated Group within 180 days after the end of each fiscal year of the System. The financial statements are required to be prepared in accordance with generally accepted accounting principles and to be audited by the System's independent auditors.

The System will also provide to the MSRB through EMMA, within 60 days after the end of each of the first three fiscal quarters of each year, the unaudited quarterly financial statements of the System for that fiscal quarter. The System will also provide the quarterly financial information to any Beneficial Owner of the Bonds upon request. Failure to comply with the provisions of the Continuing Disclosure Agreement is not an Event of Default under the Indenture, the Loan Agreement or the Master Indenture. The unaudited quarterly financial information will include a consolidated balance sheet and statement of operations, presented on a basis substantially consistent with the form of the audited annual financial statements. The System may, in its sole discretion, determine to use additional methods of dissemination of its quarterly and annual financial data, including use of its website or email. *See* APPENDIX G – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under the Continuing Disclosure Agreement, and shall have no liability to any person, including any owner or Beneficial Owner of the Bonds, with respect to the Rule.

St. Elizabeth entered into undertakings in connection with the issuance of the Oneida County Industrial Development Agency Civic Facility Revenue Bonds, Series 1999-A (St. Elizabeth Medical Center Facility) and the Oneida County Industrial Development Agency Civic Facility Revenue Bonds, Series 1999-B (St. Elizabeth Medical Center Facility) (collectively, the "Series 1999 Bonds"), under which St. Elizabeth agreed to provide annual and quarterly financial and operating information and notice of certain material events through certain nationally recognized municipal securities information repositories (the "Repositories"), predecessors to EMMA. Pursuant to such undertakings, St. Elizabeth agreed to provide, not later than 150 days after the end of each fiscal year, annual reports comprised of St. Elizabeth's audited financial statements and certain financial information and operating data contained in Appendix A of the Official Statement relating to the Series 1999 Bonds. While St. Elizabeth provided holders of the Series 1999 Bonds with such annual reports in a timely fashion, St. Elizabeth failed to make such annual reports available to the Repositories or on EMMA as the result of an administrative oversight. The Series 1999 Bonds were refunded, in full, on October 25, 2018. St. Elizabeth is committed to providing all required continuing disclosure information to EMMA, going forward, and has adopted policies and procedures intended to ensure ongoing compliance with its continuing disclosure undertakings.

TAX MATTERS

All quotations from and summaries and explanations of provisions of laws appearing under this caption do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

Opinion of Bond Counsel

Series 2019A Bonds: In the opinion of Bond, Schoeneck & King, PLLC, Syracuse, New York, Bond Counsel, under existing law and assuming compliance with certain covenants and the accuracy of certain representations, (1) interest on the Series 2019A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not an "item of tax preference" for purposes of the alternative minimum tax imposed by the Code, and (2) so long as interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes, interest on the Series 2019A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2019A Bonds.

Series 2019B Bonds: In the opinion of Bond, Schoeneck & King, PLLC, Syracuse, New York, Bond Counsel, interest on the Series 2019B Bonds is not excludable from gross income for federal income tax purposes and is not exempt under existing law from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York).

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, the Issuer, the Members of the Obligated Group and others in connection with the Series 2019A Bonds, and Bond Counsel has assumed compliance by, as applicable, the Issuer and the Members of the Obligated Group with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2019A Bonds from gross income under the Code.

Bond Counsel expresses no opinion regarding any other Federal, state or local tax consequences with respect to the Series 2019A Bonds or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income or Federal income tax purposes of interest on the Series 2019A Bonds, or the exemption from personal income taxes of interest on the Series 2019A Bonds under state and local tax law.

Reference is made to Appendix E hereto for the proposed form of opinion expected to be rendered by Bond Counsel in connection with the issuance of the Series 2019A Bonds.

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 exclusion of interest on the Series 2019A Bonds from gross income for federal income tax purposes, but is not a guaranty of that conclusion. The opinion is not binding upon the Internal Revenue Service (the "IRS") or any court. Bond Counsel expresses no opinion about (1) the effect of future changes in the Code and the applicable regulations under the Code or (2) the interpretation and enforcement of the Code or such regulations by the IRS.

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2019A BONDS AND/OR THE SERIES 2019B BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE SERIES 2019A BONDS AND/OR THE SERIES 2019B BONDS.

Certain Ongoing Federal Tax Requirements

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2019A Bonds in order that interest on the Series 2019A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to:

(1) The requirement that (a) all property financed or refinanced with proceeds of the Series 2019A Bonds be owned by a 501(c)(3) organization or by a state or local governmental unit, and (b) no more than five percent (5%) of the proceeds of the Series 2019A Bonds be used for any private business use, treating as private business use (i) use (directly or indirectly) in a trade or business carried on by any entity other than (A) a state or local governmental unit or (B) a Section 501(c)(3) organization in a trade or business related to such Section 501(c)(3) organization's exempt purposes and (ii) possession of certain interests in the property financed or refinanced with proceeds of the Series 2019A Bonds by any entity other than (A) a state or local governmental unit or (B) a Section 501(c)(3) organization. The Members of the Obligated Group have indicated in the Tax Regulatory Agreement that, except for potential dispositions or other changes in use of certain existing facilities after completion of the New Hospital Project (see "Change in Use of Existing Facilities" below), (x) all property financed or refinanced with proceeds of the Series 2019A Bonds will be owned by a 501(c)(3) organization or by a state or local governmental unit, and (y) no more than five percent (5%) of the proceeds of the Series 2019A Bonds will be used for any private business use.

(2) The requirement that not more than two percent (2%) of the proceeds of the Series 2019A Bonds be utilized to finance the costs of the issuance of the Series 2019A Bonds. The Members of the Obligated Group have indicated in the Tax Regulatory Agreement that not more than two percent (2%) of the proceeds of the Series 2019A Bonds will be utilized to finance the costs of issuance of the Series 2019A Bonds.

(3) The requirements contained in Section 148 of the Code relating to arbitrage bonds, including but not limited to the requirement that, unless one of the applicable exceptions provided by Section 148 of the Code is satisfied, the excess of all amounts earned on the investment of the gross proceeds of the Series 2019A Bonds over that which would have been earned on such gross proceeds had such gross proceeds been invested at a Yield equal to that on the Series 2019A Bonds, and any investment income earned on such excess, be rebated to the United States. The Members of the Obligated Group have agreed in the Tax Regulatory Agreement to comply with the requirements of Section 148 of the Code.

(4) The requirement contained in Section 149(b) of the Code that payment of principal or interest on the Series 2019A Bonds not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof).

Change in Use of Existing Facilities

THE FOLLOWING APPLIES ONLY TO THAT PORTION OF THE BONDS HAVING AN OPTIONAL REDEMPTION DATE OF _____ __, 2023.

Upon completion of the New Hospital Project, the Members of the Obligated Group may sell, lease or otherwise change the use (a "Change in Use") of certain existing facilities refinanced with proceeds of the Series 2019A Bonds in a manner that may constitute private business use under the Code. As required by the Code, the Members of the Obligated Group have agreed that, if there is such a Change in Use, they will redeem the portion of the Series 2019A Bonds issued to finance or refinance the facilities with respect to which there has been a Change in Use within six months of such event occurring. The System has covenanted, on behalf of itself and the other Members of the Obligated Group, that there will be no Change in Use of such existing facilities prior to June 1, 2023 after the issue date of the Bonds.

Certain Collateral Federal Tax Consequences

There are certain collateral Federal income tax matters relating to the Series 2019A Bonds including, among others:

(1) interest on the Series 2019A Bonds may also be subject to a branch profits tax imposed upon certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations;

(2) interest paid by certain financial institutions on debt allocable to the cost of acquiring and carrying the Series 2019A Bonds is not deductible from Federal income taxation; and

(3) a property and casualty insurance company's deduction for losses incurred is reduced by 15% on tax-exempt income received from the Series 2019A Bonds.

Prospective purchasers of the Series 2019A Bonds should also be aware that ownership of, accrual or receipt of interest on, or disposition of, the Series 2019A Bonds may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Series 2019A Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2019A Bonds. Bond Counsel will express no opinion regarding these consequences.

Information Reporting and Backup Withholding

Interest paid on the Series 2019A Bonds and the Series 2019B Bonds will be subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest on the Series 2019A Bonds from gross income for federal income tax purposes, such reporting requirement causes the

payment of interest on the Series 2019A Bonds and the Series 2019B Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Future Legislation or Other Post-Issuance Events

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authority and represents Bond Counsel's judgment as to the proper treatment of the Series 2019A Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Current and future legislative proposals, if enacted into law, or administrative actions or court decisions, at either the federal or state level, may cause interest on the Series 2019A Bonds to be subject, directly or indirectly, to federal income taxation or to be subjected to State or local income taxation, or otherwise have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2019A Bonds for federal or state income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the New York State Legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of the Series 2019A Bonds. There can be no assurance that legislation enacted or proposed or actions by a court after the date of issuance of the Series 2019A Bonds will not have an adverse effect on the tax status of the interest paid or payable on the Series 2019A Bonds or the market value or marketability of the Series 2019A Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in benefit) of the exclusion of the interest on the Series 2019A Bonds from gross income for federal or state income tax purposes for all or certain taxpayers. The introduction or enactment of any such legislative proposals, administrative actions or court decisions may also affect, perh7aps significantly, the value or marketability of the Series 2019A Bonds.

No representation is made as to the likelihood of such proposals being enacted in their current or similar form, or if enacted, the effective date of any such legislation and no assurances can be given that such proposals or amendments will not materially and adversely affect the market value or the marketability of the Series 2019A Bonds or the tax consequences of ownership of the Series 2019A Bonds. Similarly, it is not possible to predict whether any other legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2019A Bonds may occur.

Prospective purchasers of the Series 2019A Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2019A Bonds at other than their original issuance at the respective prices set indicated on page (i) of this Official Statement should also consult their own tax advisers regarding other tax considerations, such as the consequences of market discount, as to which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2019A Bonds and the Series 2019B Bonds ends with the issuance of the Series 2019A Bonds and the Series 2019B Bonds. Bond Counsel has not

undertaken to advise in the future whether any events occurring after the date of issuance of the Series 2019A Bonds may affect the tax status of interest paid or payable on the Series 2019A Bonds.

Unless separately engaged for such purpose, Bond Counsel is not obligated to defend the Issuer or the owners of the Series 2019A Bonds regarding the tax status of the interest thereon in the event of an audit examination by the IRS. If the IRS does audit the Series 2019A Bonds, under current IRS procedures, the IRS will treat the Issuer as the taxpayer and the beneficial owners of the Series 2019A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees may not be practicable. Any action by the IRS, including but not limited to the selection of the Series 2019A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may alter the market value for, or the marketability of, the Series 2019A Bonds, and may cause the Issuer, the Corporation or the Bondholders to incur significant expense.

New York State Taxes

Series 2019A Bonds: In the opinion of Bond Counsel, so long as interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes, interest on the Series 2019A Bonds is exempt, under existing law, from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Series 2019B Bonds: In the opinion of Bond Counsel, interest on the Series 2019B Bonds is not exempt under existing law from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York).

Discount Series 2019A Bonds

The excess, if any, of the amount payable at maturity of any maturity of the Series 2019A Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Series 2019A Bonds with original issue discount (the "Discount Series 2019A Bonds") will be excluded from gross income for purposes of federal income taxation to the same extent as interest on such Series 2019A Bonds. In general, the issue price of a maturity of the Series 2019A Bonds is the first price at which a substantial amount of the Series 2019A Bonds of that maturity was sold to the public (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Series 2019A Bond is increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Series 2019A Bond for purposes of federal income taxation. In addition, original issue discount that accrues in each year to an owner of a Discount Series 2019A Bond will be included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Series 2019A Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Series 2019A Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Series 2019A Bond that is subject to redemption prior to maturity or that is not purchased in

the initial offering at the first price at which a substantial amount of such substantially identical Series 2019A Bonds is sold to the public may be determined according to rules that differ from those described above.

Prospective purchasers of Discount Series 2019A Bonds should consult their own tax advisors with respect to the determination for purposes of federal income taxation of the amount of original issue discount or interest properly accruable with respect to such Discount Series 2019A Bonds and with respect to state and local tax consequences of owning and disposing of Discount Series 2019A Bonds.

Premium Series 2019A Bonds

The excess, if any, of the tax adjusted basis of a maturity of any Series 2019A Bonds purchased as part of the initial public offering by a purchaser (other than a purchaser who holds such Series 2019A Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Owners of a maturity of the Series 2019A Bonds with bond premium (a "Premium Series 2019A Bond") will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the initial owner of a Premium Series 2019A Bond may realize taxable gain upon disposition of Premium Series 2019A Bonds even though sold or redeemed for an amount less than or equal to such owner's original cost of acquiring such Premium Series 2019A Bonds. In general, bond premium is amortized over the term of a Premium Series 2019A Bond for Federal income tax purposes in accordance with constant yield principles based on the owner's yield over the remaining term of such Premium Series 2019A Bond (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). The Owner of a Premium Series 2019A Bond is required to decrease such Owner's adjusted basis in such Premium Series 2019A Bond by the amount of amortizable bond premium attributable to each taxable year such Premium Series 2019A Bond is held. The amortizable bond premium on such Premium Series 2019A Bond attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Premium Series 2019A Bond.

Prospective purchasers of any Premium Series 2019A Bond should consult their tax advisors with respect to the determination for purposes of federal income taxation of the treatment of bond premium upon the sale or other disposition of such Premium Series 2019A Bond and with respect to the state and local tax consequences of acquiring, owning and disposing of such Premium Series 2019A Bond.

LEGAL MATTERS

The legality of the authorization, issuance, sale and delivery of each series of Bonds is subject to the approval of Bond Schoeneck & King, PLLC, Bond Counsel to the Issuer, whose approving opinion will be delivered upon the issuance and delivery of the Bonds.

Certain legal matters will be passed on for the Issuer by its counsel, Levitt & Gordon, for the System and the Obligated Group by their counsel, Bond Schoeneck & King, PLLC, and for the Underwriter by its counsel, Hawkins Delafield & Wood LLP.

INDEPENDENT AUDITORS

The consolidated financial statements of the System as of and for the years ended December 31, 2018 and 2017 included in APPENDIX B to this Official Statement have been audited by Fust Charles Chambers LLP, independent auditors, as stated in their reports appearing therein.

RATINGS

Standard & Poor's Ratings Group ("*S&P*") is expected to assign the Insured Bonds the rating of "AA" based upon the delivery of the Policy by the Insurer at the time of the issuance of the Insured Bonds.

S&P has assigned an underlying long term rating of "BB+" (stable) to the Bonds. Any explanation of such rating may only be obtained from S&P.

A rating is not a recommendation to buy, sell or hold the Bonds and any rating should be evaluated independently. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that any individual rating mentioned above will remain in effect for any given period of time or that any individual rating might not be lowered, suspended or withdrawn entirely by a rating agency, if in its judgment circumstances so warrant. Neither the Issuer nor the Underwriter has undertaken any responsibility to bring to the attention of either the Holders or Beneficial Owners of the Bonds any proposed change in, suspension or withdrawal of any rating or to oppose any such proposed revision, suspension or withdrawal. The System has not undertaken any responsibility to oppose any such proposed revision, suspension or withdrawal. Any such downward change in, suspension or withdrawal of any rating might have an adverse effect on the market price for or marketability of the Bonds.

UNDERWRITING

Barclays Capital Inc. (the "*Underwriter*"), has agreed to purchase the Series 2019A Bonds at a purchase price of $_____, consisting of the $_____ aggregate par amount of the Bonds, less an underwriting discount of $_____, [plus/less] a [net] original issue [premium/discount] of $_____ and the Series 2019B Bonds at a purchase price of $_____, consisting of the $_____ aggregate par amount of the Bonds, less an underwriting discount of $_____, [plus/less] a [net] original issue [premium/discount] of $_____. The Bond Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased.

The Bonds are being offered for sale to the public at the initial offering prices shown on the inside cover page hereof. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth on the inside cover of the Official Statement. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The obligation of the Underwriter to accept delivery of the Bonds is subject to the terms and conditions set forth in the Bond Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriter and its 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 Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer or the System, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its 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 Issuer or the System. The Underwriter and its 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.

In particular, an affiliate of the Underwriter, Barclays Bank PLC, serves as a credit provider for a revolving line of credit available to the System for purposes of providing financing for costs including those incurred in connection with the New Hospital Project. Some or all of the outstanding balance under the line of credit may be repaid with proceeds of the Bonds. The available commitment with respect to the revolving line of credit will be reduced in accordance with the terms of the Revolving Credit Agreement, as further described above in "PLAN OF FINANCE."

FINANCIAL ADVISOR

Echo Financial Products, LLC ("*Echo*") has served as financial advisor to the System for purposes of assisting with the development and implementation of a bond structure in connection with the Bonds. Echo has not been engaged by the System to compile, create or interpret any information in this Official Statement relating to the System, including, without limitation, any of the System and Members of the Obligated Group's financial and operating data, whether historical or projected. Any information contained in this Official Statement concerning the System has not been independently verified by Echo and inclusion of such information is not, and should not be construed as, a representation by Echo as to its accuracy or completeness or otherwise. Echo is not a public accounting firm and has not been engaged by the System to review or audit any information in this Official Statement in accordance with auditing standards generally accepted in the United States.

MISCELLANEOUS

The foregoing and subsequent summaries and descriptions of provisions of the Bonds, the Master Indenture, the Supplemental Master Indenture, Obligation No. 1, the Indenture and the Loan Agreement, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and reference is made to said documents for full and complete statements of their provisions. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Master Indenture, the Supplemental Indenture No. 1, the Indenture and the Loan Agreement may be obtained during the offering period upon request directed to Barclays Capital Inc., 745 7th Avenue, New York, New York 10019 Attention: Municipal Securities Division.

The System has supplied or reviewed the information contained herein which relates to it and the Obligated Group and their respective properties and operations, including without limitation, APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM," and has authorized all such information for use in this Official Statement and has approved this Official Statement.

The Issuer has not participated in the preparation of this Official Statement and has not verified the accuracy of the information contained herein, other than the information respecting the Issuer contained under "THE ISSUER" and "LITIGATION – The Issuer." The Issuer's approval of the use of this Official Statement does not constitute approval of the information contained herein, other than that information relating to the Issuer, contained in the foregoing sections, or a representation of the Issuer as to the completeness or accuracy of the information pertaining to the Issuer contained herein.

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The Issuer and the Obligated Group have duly authorized the execution and delivery of this Official Statement.

ONEIDA COUNTY LOCAL DEVELOPMENT CORPORATION

By: _____
Name: David C. Grow
Title: Chairman

MOHAWK VALLEY HEALTH SYSTEM
On behalf of itself and as Obligated Group Representative

By: _____
Name: Louis Aiello
Title: Senior Vice President and Chief Financial Officer

PART II

BONDHOLDERS' RISKS
AND
REGULATION OF THE HEALTH CARE INDUSTRY

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BONDHOLDERS' RISKS

Some of the identifiable risks which should be considered when making an investment decision regarding the Bonds are discussed below. The discussion herein of risks to the Owners (including the Beneficial Owners, as defined in APPENDIX F) of the Bonds is not intended as dispositive, comprehensive or definitive, but rather is intended to summarize certain matters which could affect payment on the Bonds. The risks discussed below should be read in conjunction with APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM" and the discussion set forth under the caption "REGULATION OF THE HEALTH CARE INDUSTRY" below. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection at the designated corporate trust office of the Bond Trustee. The operations and financial condition of the Members of the Obligated Group may be affected by factors other than those described in this section and "REGULATION OF THE HEALTH CARE INDUSTRY" below and elsewhere in this Official Statement. No assurance can be given as to the nature of such factors or the potential effects thereof on the Members of the Obligated Group.

General

Except as noted herein under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," the Bonds are payable solely from loan repayments made by the System pursuant to the Loan Agreement and Obligation No. 1. No representation or assurance can be made that revenues will be realized by the System in amounts sufficient to make the payments under the Loan Agreement or Obligation No. 1.

The revenues and expenses of the Obligated Group are subject to, among other things, the capabilities of the management, the confidence of physicians in management, the availability of physicians and trained support staff, changes in the population or the economic condition of the Obligated Group's service area, the level of and restrictions on federal funding of Medicare and federal and state funding of Medicaid, the imposition of government wage and price controls, the demand for services, increased competition, reduced third-party reimbursement rates or delays in payment, government regulations and licensing requirements, continued federal and state funding, future economic conditions and other conditions which are unpredictable and may not be quantifiable or determinable at this time. No representation or assurance is given or can be made that revenues will be realized by the Obligated Group in amounts sufficient to pay debt service on the Bonds and the related Obligations when due and to make payments necessary to meet the other obligations of the Obligated Group.

The discussion herein describes risks related to certain existing federal and state laws, regulations, rules and governmental administrative policies and determinations to which the Members of the Obligated Group and the health care industry are subject. Several of the federal statutes and regulations described herein may be substantially modified or repealed in whole or in part. Key elements of the legislative agenda of President Trump's administration include the repeal or replacement of the Patient Protection and Affordable Care Act, as subsequently amended by the Health Care and Education Reconciliation Act of 2010 (collectively, referred to herein as the "*ACA*" and described under the heading "REGULATION OF THE HEALTH CARE INDUSTRY"), tax reform and financial services reform. As defined and described under the subheading "Tax Reform" below, tax reform legislation known as the Tax Cuts and Jobs Act (the "*Tax Cuts and Jobs Act*") was signed into law in late 2017. While attempts to repeal the entirety of the ACA have not been successful to date, a key provision of the ACA was effectively repealed as part of the Tax Cuts and Jobs Act, and on December 14, 2018, a federal U.S. District Court judge in Texas ruled the entire ACA is unconstitutional. While that ruling has been appealed to the Fifth Circuit Court of Appeals, it has caused greater uncertainty regarding the future status of the ACA. Also, additional legislative attempts to repeal or piecemeal dismantle the ACA may be

introduced in the future. The scope and effect of future legislation or judicial action cannot be predicted and such future legislation or judicial action could have a material adverse impact on the Obligated Group. In addition to statutory changes or judicial action, regulatory changes and executive actions implemented by the Trump administration or any succeeding administration could have a material adverse impact on the Obligated Group. Accordingly, it is possible that the significant risk areas summarized under this caption "BONDHOLDERS' RISKS" will undergo significant change in the near term.

ADVERSE CONSEQUENCES ARISING FROM ONE OR MORE OF THE FOLLOWING RISKS, OR THE OCCURRENCE OF OTHER UNANTICIPATED EVENTS, COULD ADVERSELY AFFECT THE OPERATIONS OR FINANCIAL PERFORMANCE OF THE MEMBERS OF THE OBLIGATED GROUP. THIS DISCUSSION IS NOT, AND IS NOT INTENDED TO BE, EXHAUSTIVE. THE RISKS DISCUSSED BELOW SHOULD BE READ IN CONJUNCTION WITH THE DISCUSSION SET FORTH IN APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM" AND THE DISCUSSION APPEARING UNDER THE CAPTION "REGULATION OF THE HEALTH CARE INDUSTRY" BELOW AND THE INFORMATION APPEARING ELSEWHERE IN THIS OFFICIAL STATEMENT.

Nonprofit Health Care Environment

Each Member of the Obligated Group is a nonprofit corporation and each is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code. 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 organization and operation, including their operations for charitable purposes. At the same time, Members of the Obligated Group conduct large-scale complex business transactions and are major employers in their geographic areas. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex, large health care organization. Hospitals or other health care providers, such as the Members of the Obligated Group, may be forced to forego otherwise favorable opportunities for certain joint ventures, recruitment and other arrangements in order to maintain their tax-exempt status.

The operations and practices of nonprofit, tax-exempt health care providers are routinely challenged or criticized for inconsistency or inadequate compliance with regulatory requirements for, and societal expectations of, 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 are examinations of core business practices of the health care organizations. A common theme of these challenges is that nonprofit hospitals may not confer community benefits that exceed or equal the benefit received from their tax-exempt status. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, methods of providing and reporting community benefit, executive compensation, exemption of property from real property taxation, private use of facilities financed with tax-exempt bonds and others. These challenges and questions have come from a variety of sources, including state attorneys general, the Internal Revenue Service (the "*IRS*"), labor unions, Congress, state legislatures, and patients, and in a variety of forums, including hearings, audits and litigation.

The following are some examples of the challenges and examinations facing nonprofit health care organizations. They are indicative of a greater scrutiny of the billing, collection and other business practices of these organizations, and may indicate an increasingly more difficult operating environment for health care organizations, including the Obligated Group. The challenges and examinations, and any

resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on the Obligated Group.

Congressional Hearings and Investigations

A number of House and Senate Committees, including the House Committee on Energy and Commerce, the House Committee on Ways and Means and the Senate Finance Committee, have conducted hearings and/or investigations into issues related to nonprofit tax-exempt health care organizations. These hearings and investigations have included a nationwide investigation of hospital billing and collection practices, charity care and community benefit and prices charged to uninsured patients and possible reforms to the nonprofit sector. Additionally, Senate Finance Committee Chairman Chuck Grassley has recently renewed his scrutiny of tax-exempt hospitals, requesting in a February 2019 letter to the IRS that the agency provide data with respect to its examinations of non-profit hospital compliance with Internal Revenue Code community benefit regulations. The effect of these hearings and investigations cannot be predicted, but may result in new legislation or regulatory action.

Bond Examinations

The IRS has active programs auditing both the qualification of hospital organizations as Section 501(c)(3) organizations and the qualification of bonds issued for the benefit of such organizations as tax-exempt. The IRS may use detailed information required to be reported on IRS Form 990 - Return of Organizations Exempt From Income Tax ("*IRS Form 990*") for this purpose.

IRS Examination of Compensation Practices and Community Benefit

For more than a decade, the IRS has been concerned about executive compensation practices of tax-exempt hospitals. In 2004, the IRS began a program to measure compliance by tax-exempt organizations with requirements that they not pay excessive compensation. In February 2009, the IRS issued its Hospital Compliance Project Final Report (the "*IRS Final Report*") that examined tax-exempt organizations' practices and procedures with regard to compensation and benefits paid to their officers and other defined "insiders." The IRS Final Report indicated that the IRS (1) will continue to heavily scrutinize executive compensation arrangements, practices and procedures and (2) in certain circumstances, may conduct further investigations or impose fines on tax-exempt organizations.

The IRS has also undertaken a community benefit initiative directed at hospitals. The IRS Final Report determined that the reporting of community benefit by nonprofit hospitals varied widely, both as to types of programs and expenditures classified as community benefit and the measurement of community benefits. As a result, IRS Form 990 requires detailed disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be a compliance risk. IRS Form 990 also requires the disclosure of information on community benefit as well as reporting of information related to tax-exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. IRS Form 990 is intended to provide enhanced transparency as to the operations of exempt organizations. It is likely that the IRS will use detailed information from IRS Form 990 to assist in its enhanced enforcement efforts. *See* "Risks Related to Tax-Exempt Status of the Members of the Obligated Group – Maintenance of Tax-Exempt Status" below.

Schedule H of IRS Form 990, which hospitals and health systems must use to report their community benefit activities, has been revised to require details on how a hospital determines eligibility for free or discounted care (if the federal poverty guidelines are not used). Consistent with Section 501(r)

of the Code, Schedule H now requires hospitals to describe billing and collection practices permitted under the hospital facility's policies, as well as information about the hospital's emergency medical care policy.

Litigation Relating to Billing and Collection Practices

Over the past several years, lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients, have overcharged uninsured patients and have engaged in aggressive billing and collection practices. Other cases have alleged that charging patients more for services furnished in a hospital-based setting is a wrongful or deceptive practice. Some of these cases have since been dismissed by the courts and some hospitals and health systems have entered into substantial settlements. A number of cases are still pending in various courts around the country with inconsistent results and others could be filed.

Challenges to Real Property Tax Exemptions

The real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities have been challenged on the grounds that the health care providers were not engaged in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices, excessive financial margins and operations that closely resemble for-profit businesses. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements. In addition, some states have proposed overhauling their property tax exemption laws. While management is not aware of any current challenge to the tax exemption afforded to any material real property of the Obligated Group, there can be no assurance that these types of challenges will not occur in the future.

Attorneys General and Other State Oversight or Audits

State nonprofit public benefit corporations, including the Members of the Obligated Group, are subject to oversight and examination by the New York Attorney General to ensure their charitable purposes are being carried out, that their fundraising and investment activities comply with state law and that the terms of charitable gifts are followed. In addition, state legislatures may direct state executive bodies to monitor or audit levels of charity care being provided in nonprofit hospitals. For example, California's Bureau of State Audits was previously directed to investigate whether California's nonprofit hospitals were providing enough charity care and community benefit to justify their tax-exempt status.

Charity Care

The legislatures of some states have attempted to pass legislation mandating charity care levels or imposing other requirements relating to charity care. From time to time, Congress proposes new laws and the IRS proposes new regulations concerning the manner in which charity care is calculated or issues guidance concerning the level of charity care expected of an organization exempt from tax under Section 501(c)(3) of the Code. Management cannot predict whether legislation, regulations, or guidance will be implemented in the future and cannot predict the effect it may have on the Obligated Group's financial condition, though such effect may be material.

Risks Related to Tax-Exempt Status of the Members of the Obligated Group

Maintenance of Tax-Exempt Status

Loss of tax-exempt status by any Member of the Obligated Group could result in loss of tax exemption of interest on Bonds issued to make loans to the System (*see* "Tax-Exempt Status of Interest on the Bonds" below) and defaults in covenants regarding such Bonds would likely result. Such an event would also have other material adverse consequences on the financial condition of the Obligated Group. Management is not aware of any transactions or activities currently ongoing that are likely to result in the revocation of the tax-exempt status of MVHS or any other Member of the Obligated Group.

The maintenance by an entity of its status as an organization described in Section 501(c)(3) of the Code is contingent upon compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals.

The IRS has announced that it intends to closely scrutinize transactions between not-for-profit corporations and for-profit entities, and in particular has issued audit guidelines for tax-exempt hospitals. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by a modern health care organization. Although traditional activities of hospitals, such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities have not been addressed in any official opinion, interpretation or policy of the IRS. Because the Members of the Obligated Group conduct large-scale and diverse operations involving private parties, there can be no assurances that certain of their transactions would not be challenged by the IRS. The System participates in a variety of transactions and joint ventures with physicians either directly or indirectly. Management believes that the transactions and joint ventures to which the Members of the Obligated Group are a party are consistent with the requirements of the Code as to tax-exempt status, but, as noted above, there is uncertainty as to the state of the law.

The ACA also contains requirements for tax-exempt hospitals through Section 501(r) of the Code. Final regulations under Section 501(r) of the Code provide detailed guidance relating to requirements for community health needs assessments, financial assistance policies, emergency medical care policies, limitations on charges and billing and collection practices, and also provide guidance on consequences of failure to satisfy Section 501(r) requirements. These final regulations are complex and administratively burdensome. An organization's failure to meet one or more Section 501(r) requirements could endanger the organization's Section 501(c)(3) status as of the first day of the tax year in which a failure occurs. In addition, an organization may be subject to certain excise taxes if a hospital facility fails to maintain the requirements concerning community health needs assessments.

In certain cases, the IRS has imposed substantial monetary penalties and future charity care or public benefit obligations on tax-exempt hospitals in lieu of revoking their tax-exempt status, as well as requiring that certain transactions be altered, terminated or avoided in the future and/or requiring governance or management changes. These penalties and obligations are typically imposed on the tax-exempt hospital pursuant to a "closing agreement" with respect to the hospital's alleged violation of Section 501(c)(3) exemption requirements. Given the uncertainty regarding how tax-exemption requirements may be applied by the IRS, the Members of the Obligated Group are, and will be, at risk for incurring monetary and other liabilities imposed by the IRS through this "closing agreement" or similar process.

The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt health care organizations. Certain audits are conducted by teams of revenue agents, often take years to complete and require the expenditure of significant staff time by both the IRS and the audited organization. These audits examine a wide range of possible issues, including tax-exempt bond financings, partnerships and joint ventures, unrelated business income tax, retirement plans and employee benefits, employment taxes, political contributions and other matters.

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt organizations. If the IRS were to find that MVHS or any other Member of the Obligated Group had participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be in jeopardy. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit corporations, it could do so in the future. Loss of tax-exempt status by MVHS or any other Member of the Obligated Group potentially could result in loss of tax exemption of the tax-exempt debt of the Obligated Group, and defaults in covenants regarding the tax-exempt debt and other obligations likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of the Obligated Group.

State and Local Tax Exemption

State, county and local taxing authorities undertake audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases, particularly where authorities are dissatisfied with the amount of services provided to indigents, the real property tax-exempt status of the health care providers has been questioned. For example, a court in New Jersey decided that a nonprofit hospital should pay property taxes on almost all of its property because it did not meet the legal test that it operate as a nonprofit, charitable organization during certain years. The majority of the real property of the Members of the Obligated Group is currently treated as exempt from real property taxation. Although the real property tax exemptions of the Members of the Obligated Group with respect to core hospital facilities have not, to the knowledge of management, been under challenge or investigation, an audit could lead to a challenge that could adversely affect the real property tax exemptions of the System.

From time to time, legislation has been introduced in the New York legislature to limit or repeal certain of the state tax exemptions available to private nonprofit healthcare providers, including state income, franchise, ad valorem property and sales tax. It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of state or local governments will not materially adversely affect the financial condition of the Obligated Group by requiring payment of income, local property or other taxes.

Tax-Exempt Status of Interest on Certain Indebtedness

The Code and related regulations, rulings and policies impose a number of requirements that must be satisfied for interest on state and local obligations to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds of bonds, limitations on the investment earnings of proceeds of bonds prior to expenditure, a requirement that certain investment earnings on proceeds of bonds be paid periodically to the United States, and a requirement that governmental issuers file an information report with the IRS. In each tax certificate and agreement pertaining to the issuance of such state and local obligations (each a "*Tax Agreement*"), the related governmental issuer and the Members of the Obligated Group have covenanted to comply with such requirements. However, future failure by an issuer or the Members of the Obligated Group to fulfill their

respective obligations under a Tax Agreement may result in the inclusion of interest on such obligations in gross income for federal income tax purposes, possibly retroactive to their date of issuance.

For a discussion of certain tax matters relating to the Bonds, see the discussion under the heading "TAX MATTERS."

IRS officials have indicated that more resources will be invested in audits of tax-exempt obligations, including the use of tax-exempt obligation proceeds, in the charitable organization sector, with specific review of private use. In addition, the IRS has from time to time sent questionnaires to several hundred nonprofit corporations that have borrowed on a tax-exempt basis, inquiring about post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their tax-exempt obligations. The questionnaire includes questions relating to the borrower'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.

The IRS has also added schedules to IRS Form 990 that create additional reporting responsibilities. On Schedule H, hospitals and health systems must report how they provide community benefit and specify certain billing and collection practices. Schedule K requires detailed information related to all outstanding bond issues of tax-exempt borrowers, including information regarding operating, management and research contracts as well as private use compliance. Tax-exempt organizations must also complete Schedule J, which requires reporting of compensation information for the organizations' officers, directors, trustees, key employees, and other highly compensated employees. IRS reviews and audits could and may adversely affect the marketability of or the market value for the Bonds.

The opinions of nationally recognized bond counsel delivered on the date that bonds are issued are not binding on the IRS or the courts, and such opinions speak only as of their respective date of delivery. There is no assurance that an IRS examination will not adversely affect the market price for, or the marketability of, state or local obligations issued to make loans to the Obligated Group and any such examination may cause the Obligated Group and/or the holders of such bonds to incur significant expense.

Unrelated Business Income

In recent years, the IRS and state, county and local tax authorities have audited the operations of tax-exempt hospitals and health care systems with respect to their exempt activities and the generation of unrelated business taxable income ("*UBTI*"). Most hospitals and health care systems participate in activities that may generate UBTI. An investigation or audit could result in assessment of taxes, interest and penalties with respect to unreported UBTI and in some cases ultimately could affect the tax-exempt status of such entity, as well as the exclusion from gross income for federal income tax purposes of the interest payable on tax-exempt debt of the Obligated Group.

Limitations on Contractual and Other Arrangements Imposed by the Code

As tax-exempt organizations, the Members of the Obligated Group are limited with respect to the use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs and other means of recruiting and retaining physicians. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of the hospitals in an effort to determine whether any action should be taken with respect to limitations on or revocation of their tax-exempt status or assessment of additional tax. Any suspension, limitation, or revocation of the tax-exempt status of

MVHS or any other Member of the Obligated Group or assessment of significant tax liability would have a materially adverse effect on the Obligated Group.

Cost of Capital

From time to time, Congress has considered and is considering revisions to the Code that may prevent or limit access to the tax-exempt debt market by borrowers such as the System. Such legislation, if enacted into law, may have the effect of materially increasing the costs of capital to the Obligated Group. *See* "Tax Reform" below.

Security and Enforceability

General

The legal right and practical ability of the Bond Trustee to enforce its rights and remedies under the Loan Agreement, the Indenture and the Bonds and of the Master Trustee to enforce its rights and remedies against the Members of the Obligated Group under the Master Indenture and Obligation No. 1 are subject to bankruptcy, insolvency, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity. In addition, the Bond Trustee's and Master Trustee's abilities to enforce such terms will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or be limited. A claim for payment of the principal of or interest on the Bonds could be made subject to any statutes that may be constitutionally enacted by the United States Congress or applicable state legislatures affecting the time and manner of payment or imposing other constraints upon enforcement.

Bankruptcy

In the event of bankruptcy of the System, the rights and remedies of the Holders of the Bonds are subject to various provisions of the United States Bankruptcy Code. If the System were to file a petition in bankruptcy, payments made during the 90-day (or perhaps one-year) period immediately preceding the filing of such petition may be avoidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of the System's liquidation. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the System and its property, and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of the Bond Trustee and the Master Trustee. If the bankruptcy court so ordered, the property of the System, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of the System. The rights of the Bond Trustee and the Master Trustee to enforce their security interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

The System could file a plan for the adjustment of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it shall have been 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 class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the

court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

In the event of bankruptcy of the System, there is no assurance that certain covenants, including tax covenants contained in the Loan Agreement and certain other documents would survive. Accordingly, a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Bonds from gross income of the Holders for federal income tax purposes.

The Restricted Affiliates, if any, may not be required to make any payment, loan or other transfer of moneys or assets to provide for the payment of any Obligation, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Restricted Affiliates to the extent that such transfer would render such Restricted Affiliate insolvent or which would conflict with, not be permitted by, or which is subject to recovery for the benefit of other creditors of such Restricted Affiliate under applicable laws. There is no clear precedent in the law as to whether such transfers from a Restricted Affiliate to the Members of the Obligated Group in order to pay debt service on the Obligations may be voided by a trustee in bankruptcy in the event of bankruptcy of a Restricted Affiliate or by third party creditors in an action brought pursuant to state fraudulent transfer statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under certain state fraudulent transfer statutes and common law, a creditor of a related guarantor may avoid any obligation incurred by a related guarantor if, among other bases therefor, (i) the guarantor has not received reasonably equivalent value in exchange for the guaranty and (ii) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or state fraudulent transfer statutes, or (iii) the guarantor is undercapitalized.

Limitations on Enforceability

The legal right and practical ability of the Bond Trustee to enforce its rights and remedies under the Loan Agreement, the Bonds and the Indenture and of the Master Trustee to enforce its rights and remedies against the Obligated Group under the Master Indenture, Obligation No. 1 and related documents may be limited by laws relating to bankruptcy, insolvency, fraudulent conveyance, reorganization or other laws affecting the enforceability of creditors' rights generally and by the availability of equitable remedies, and, with respect to the enforcement of payments under the Loan Agreement (and Obligation No. 1), may be limited to the extent that such payments (i) are requested to be made from assets which are donor-restricted or which are subject to a direct, express or charitable trust which does not permit the use of such assets for such payments; or (ii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by MVHS or any other Member of the Obligated Group.

Under both the Federal Bankruptcy Code and state fraudulent transfer laws, a transfer by an obligor of cash, collateral, or any other thing of value can present the risk that creditors of the obligor may attempt to avoid the transfer. For such fraudulent conveyance or fraudulent transfer laws to apply, the transfer must have been made at a time when the transferor was insolvent or undercapitalized (or the transfer must have rendered the transferor insolvent), and the transferor must not have received reasonably equivalent value in exchange. Courts which have applied these laws have diverged widely in the meanings given to these terms, resulting in a conflicting body of case law.

There exists common law authority and authority under state statutes for the ability of the courts to terminate the existence of a nonprofit 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 the common law and

statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses. In one case, the attorney general of the State of Connecticut, under a charitable trust theory, obtained a temporary injunction enjoining a convalescent home, constructed and maintained in large part with private contributions, from transferring assets or making payments to an out-of-state affiliate pursuant to a proposed master trust indenture.

Amendments

Certain amendments to the Indenture and the Loan Agreement may be made without the consent of the holders of the Bonds. Certain other amendments to the Indenture and the Loan Agreement may be made with the consent of the holders of not less than a majority of the principal amount of the outstanding Bonds. Certain amendments to the Master Indenture may be made without the consent of the holders of the outstanding Obligations.

Limitation of Value on Mortgaged Property

The Mortgaged Property is not comprised of general purpose buildings and would not generally be suitable for industrial or commercial use. Consequently, it would be difficult to find a buyer or lessee for the Mortgaged Property if it were necessary to foreclose on the Mortgaged Property. Thus, upon any default, it may not be possible to realize the outstanding interest on and principal on all outstanding indebtedness including the Bonds from a sale or lease of the Mortgaged Property. In addition, in order to operate the Mortgaged Property as health care facilities, a purchaser of the Mortgaged Property at a foreclosure sale would under present law have to obtain a certificate of need and licenses for the facilities.

In addition, under applicable environmental law, in the event of any past or future releases of pollutants or contaminants on or near the Mortgaged Property, a lien superior to the lien of the Mortgage could attach to the Mortgaged Property to secure the costs of removing or otherwise treating such pollutants or contaminants. Such a lien could adversely affect the ability to realize sufficient amounts to pay all outstanding indebtedness including the Bonds in full.

In the Master Indenture, the Institution has covenanted that it has fee simple title to the Mortgaged Property; however, no title insurance company has issued a policy with respect to the Mortgaged Property in connection with the issuance of the Bonds. As a result, in the event of a defect in the Institution's title to the Mortgaged Property which impacts its use of any of its facilities results in realizing less than the full value on the Mortgaged Property upon the sale thereof, no additional proceeds may be received by the Obligated Group.

Market Risks

The System has significant holdings in a broad range of investments. Market fluctuations have affected and will continue to affect the value of those investments and those fluctuations may be, and historically have been, material. Market disruptions have exacerbated the market fluctuations and have negatively affected the investment performance over certain time periods and in some cases materially diminished the liquidity of those investments. Investment income (including both realized and unrealized gains on investments) has contributed significantly to the Obligated Group's financial results over recent years. Any diminution of liquidity of the Obligated Group's investments could also have a material adverse effect on the Obligated Group.

Market for the Bonds

Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds, and no assurance can be given that a secondary market will develop. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so.

Ratings

There can be no assurance that the ratings assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds. *See* the information under the heading "RATINGS."

Future Legislation Regarding Limitations or Elimination of Tax-Exempt Status

Future tax legislation, administrative actions taken by tax authorities or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation, administrative actions and court decisions could affect the market price or marketability of the Bonds. Prospective investors should consult with their tax advisors on the foregoing matters as they consider an investment in the Bonds.

Covenants in Other Agreements

Certain agreements of the System with lenders and other credit and liquidity providers, relating to outstanding indebtedness and indebtedness that may be incurred after the issuance of the Bonds may contain covenants that are more restrictive than the covenants of the Master Indenture described herein. Such covenants could impede the ability of the System to realize cash flows sufficient to pay Obligation No. 1 or maintain the ratings assigned to the Bonds and their value. The ability of the System to comply with such covenants can be affected by events beyond its control, and there can be no assurance that it will continue to meet such covenants. A breach of any of these covenants could result in a default under the Master Indenture and credit and liquidity agreements with banks. Upon such an event of default, creditors of the System n could elect to declare all outstanding advances immediately due and payable and terminate all commitments to extend further credit. Any such action could deplete cash available to pay Obligation No. 1, or could result in an acceleration of the Bonds without the consent of their owners.

Patient Service Revenues

Net patient service revenues realized by the Members of the Obligated Group are derived from a variety of sources and will vary among the individual facilities owned and operated by the Members of the Obligated Group and also among the various market areas and regions in which such facilities are located. Certain facilities and regions may realize substantially more revenues from private payment programs, such as managed care organizations, than do others.

A substantial portion of the net patient service revenues of the Members of the Obligated Group is derived from third-party payors which pay for the services provided to patients covered by third parties. These third-party payors include the federal Medicare program, state Medicaid programs and commercial health plans and insurers, including managed care organizations such as health maintenance organizations ("*HMOs*") and preferred provider organizations ("*PPOs*"). Many third-party payors make payments to the Members of the Obligated Group in amounts that may not reflect the direct and indirect costs of the Members of the Obligated Group providing services to patients.

The financial performance of the Members of the Obligated Group has been and could be in the future adversely affected by the financial position or the insolvency or bankruptcy of or other delay in receipt of payments from third-party payors that provide coverage for services to their patients.

Health care providers have been and continue to be affected significantly by changes made in the last several years in federal and state health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of this statutory and regulatory activity has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs.

Dependence upon Commercial Third-Party Payors

The Obligated Group's ability to develop and expand its services and, therefore, operating margins, is dependent upon its ability to enter into contracts with commercial third-party payors, such as managed care organizations, at competitive rates. There can be no assurance that it will be able to attract third-party payors, and where it does, no assurance that it will be able to contract with such payors on advantageous terms. The inability of the Obligated Group to contract with a sufficient number of such payors on advantageous terms would have a material adverse effect on the Obligated Group. Further, while the Obligated Group expects to control health care service utilization and increase quality, the Obligated Group cannot predict changes in utilization patterns or on health care providers. Additionally, commercial third-party payors are increasingly attempting to control health care costs through increased utilization reviews, greater enrollment in managed care programs, such as HMOs and PPOs, and directly contracting with health care facilities to provide services on a discounted basis. The trend toward consolidation among private managed care payors tends to increase their bargaining power over prices and fee structures. Other health care providers, including some with greater financial resources, greater geographic coverage or a wider range of services, may compete with the Obligated Group for opportunities with commercial insurers. For example, competitors may negotiate exclusivity provisions with certain managed care plans or otherwise restrict the ability of managed care companies to contract with Obligated Group providers.

The ACA imposes, over time, increased regulation of the industry, the use and availability of exchanges in which health insurance can be purchased by certain groups and segments of the population, the extension of subsidies and tax credits for premium payments by some consumers and employers, and the imposition upon commercial insurers of certain terms and conditions that must be included in contracts with providers. In addition, the ACA imposes many new obligations on states related to health care insurance. Health care providers have been and continue to be affected significantly by changes made in the last several years in federal and state health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of this statutory and regulatory activity has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs.

It is unclear how the increased federal oversight of state health care may affect future state oversight or affect the Obligated Group. The effects of these changes upon the financial condition of any third-party payor that offers health care insurance, rates paid by third-party payors to providers and, thus, the revenues of the Obligated Group, and upon the operations, results of operations and financial condition of the Obligated Group cannot be predicted.

Government Regulation of the Health Care Industry

A significant portion of the revenues of the Obligated Group is derived from government reimbursement programs including, in particular, the Medicare and Medicaid programs. *See* APPENDIX

A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM – FINANCIAL AND OPERATING INFORMATION – Payor Mix" hereto for a breakdown of payment sources including Medicare and Medicaid. As a result, the Members of the Obligated Group are subject to all of the federal, state and local laws and regulations related to the Medicare and Medicaid programs. In addition to the Medicare and Medicaid programs, the Members of the Obligated Group and the health care industry in general are subject to regulation by a number of governmental agencies which affect the provision, administration and payment of health care services on both a national and local basis. Health care providers, including the Members of the Obligated Group, have been and will be affected significantly by changes that have occurred in the last several years in federal and state health care laws and regulations, particularly those pertaining to Medicare and Medicaid. *See* "REGULATION OF THE HEALTH CARE INDUSTRY."

Value-Based Care

The health care industry is under pressure from the federal and state governments and managed care plans to transition from fee for service methods of payment to "value-based care." *See* "REGULATION OF THE HEALTH CARE INDUSTRY." There can be no assurance that management will be able to reduce the Obligated Group's cost structure sufficiently and quickly enough to align with potentially decreased revenues from a value-based care model, or that the Obligated Group will otherwise adapt to value-based care incentives sufficiently and quickly enough to maintain positive financial results.

Managed Care Organizations

HMOs, PPOs and other managed health care systems (collectively, "*Managed Care Organizations*") are providers of health care coverage significantly different from traditional commercial insurers. Managed Care Organizations represent a broad continuum of systems generally designed to favorably affect the cost, the site and/or the utilization of health care services from a patient standpoint. As such, they include HMOs, which generally accept uniform per-employee payments from employers and/or employees with fees based on the number of enrollees and in return agree to provide all, or substantially all, of an enrollee's health care needs, and PPOs, which generally negotiate favorable prices with providers and thus create preferred provider arrangements. Managed Care Organizations often rely upon case management analysis to reduce utilization of health care services, including discouraging an enrollee's admission to a hospital unless determined to be absolutely necessary. As Managed Care Organizations' enrollment increases, such entities also become significant purchasers of health care services from hospitals and other providers enabling negotiation of separate pricing terms and selection of health providers offering the most cost-effective services. Such case and cost management efforts on behalf of Managed Care Organizations may adversely affect utilization of the facilities and/or patient revenues of the Obligated Group.

Most Managed Care Organizations pay health care facilities on a discounted fee-for-service basis or on a discounted fixed rate per day of inpatient care. The discounts offered to Managed Care Organizations may result in payment at less than actual cost and the volume of patients directed to a health care facility under a Managed Care Organization's contract may vary significantly from projections. In cases where a Managed Care Organization is a major purchaser of services from a particular health care facility operated by a Member of the Obligated Group, a contract rate reduction, contract cancellations, inability to pay, failure to make prompt payment, difficulty in meeting solvency thresholds, business failure or bankruptcy of the Managed Care Organization may have a substantial negative effect on the Obligated Group's financial condition.

Some Managed Care Organizations employ a "capitation" payment method under which health care providers are paid a predetermined periodic rate for each enrollee in the Managed Care Organization

who is "assigned" or otherwise directed to receive care from a particular health care provider. The health care provider may assume financial risk for the cost and scope of institutional care provided. If payment is insufficient to meet the health care provider's actual cost of care, or if utilization by such enrollees materially exceeds projections, the financial condition of the health care provider could erode rapidly and significantly. In addition to the standard Managed Care Organization risk sharing approach, private health insurance companies are increasingly adopting various additional risk sharing/cost containing measures, sometimes similar to those introduced by government payors. Health care providers may expect health care cost containment and its associated risk sharing to continue to increase in the coming years among all payors.

In recent years, a number of Managed Care Organizations have become insolvent or experienced financial pressure or cash flow issues. Such plans range in size from smaller local provider-based plans to some of the largest plans in the United States. These plans include traditional commercial insurers, as well as HMOs and PPOs. Managed Care Organizations that experience financial pressure may slow payment to providers, withhold pay entirely, or utilize claims payment methodology that systematically reduces compensation on a per claim basis. Managed Care Organizations that become insolvent may seek either federal bankruptcy or state insurance insolvency protection. Such bankruptcy or insurance insolvency protection may require that providers repay certain claims to the Managed Care Organization, or result in certain claims becoming uncollectible. It is not possible at this time to predict the future of the managed care industry in general or of specific Managed Care Organizations, or to predict what impact the state of the financial health of such organizations might have on the Obligated Group.

Often, managed care contracts are enforceable for a stated term, regardless of health care organization losses and may require health care organizations to care for enrollees for a certain time period, regardless of whether the payor is able to pay the health care organization. Health care organizations from time to time have disputes with Managed Care Organizations concerning payment and contract interpretation issues. Such disputes may result in mediation, arbitration, litigation or contract termination.

Failure to maintain contracts could have the effect of reducing a health care organization's market share and net patient services revenues. Conversely, participation may result in lower net income if participating health care organizations are unable to adequately contain their costs. In part to reduce costs, health plans are increasingly implementing, and offering to purchasing employers, tiered provider networks, which involve classification of a plan's network providers into different tiers based on care quality and cost. With tiered benefit designs, plan enrollees are generally encouraged, through incentives or reductions in copayments or deductibles, to seek care from providers in the top tier. Classification of a health care provider in a non-preferred or lower tier by a significant payor may result in a material loss of volume.

In addition to tiered provider networks, Managed Care Organizations are also implementing narrow provider networks in which only a select group of providers participate as in-network providers. Managed Care Organizations often look at quality performance and cost in selecting providers to participate in their narrow networks. A provider's exclusion from a narrow network may result in a material loss of volume. Managed Care Organizations may offer lower reimbursement for providers in their narrow networks in exchange for additional volume expected from being one of a select group of network providers. This reimbursement may be insufficient to cover a network provider's cost in providing the services. The new demands of dominant health plans and other shifts in the managed care industry may also reduce patient volume and revenue.

In addition, the current trend of consolidation in the health insurance industry is likely to increase the leverage of commercial insurers when negotiating rates with health care providers. Large health

insurers that assume dominant positions in local markets threaten to increase health insurer concentration, reduce competition and decrease choice. If MVHS or any other Member of the Obligated Group were to terminate its agreement with any of the major managed care payors or not agree to terms proposed by such payors, or if the payors were to exit the regional marketplace in some or all of their product lines, it could have a significant material adverse impact on the financial condition of the Obligated Group.

Federal Budget

Federal deficit reduction efforts have slowed the growth of federal Medicare and Medicaid spending.

The Budget Control Act of 2011 (the "*Budget Control Act*") mandated significant reductions in federal spending for fiscal years 2012-2021, including a reduction of 2% on all Medicare payments during this period. Subsequent legislation enacted by Congress extended these reductions through 2027. There is a substantial risk that Congress could act to extend or increase these across-the-board reductions. President Trump's 2020 budget proposal calls for an $845 billion reduction in Medicare spending and a $1.5 trillion reduction in Medicaid spending over the next decade. It is impossible to predict what portion, if any, of these proposed federal health care spending reductions will be included in a Congressionally approved budget.

It is possible that Congress will take action to eliminate some or all of the reductions in the future, and any Congressional action could be made retroactive in order to eliminate some or all of the cuts that were imposed. However, there is no certainty that Congress will take any action. Absent further Congressional action, these automatic spending cuts become permanent. Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts may have on the Obligated Group. Similarly, it is impossible to predict whether any automatic reductions to Medicare may be triggered in lieu of other spending cuts that may be proposed by Congress. Any further reduction in Medicare and/or Medicaid spending under either scenario, may have a material adverse effect upon the operations, financial condition and financial performance of the Members of the Obligated Group. Ultimately, these reductions or alternatives could have a disproportionate impact on hospital providers and could have an adverse effect on the operations, financial condition and financial performance of the Members of the Obligated Group, which could be material.

Federal Debt Ceiling

The federal government is subject to a debt "ceiling" established by Congress. In the past several years political disputes concerning authorization of a federal debt ceiling increase have led to shutdowns of substantial portions of the federal government and other federal budget authorization delays have occurred. Federal budget delays and federal government shutdowns are unpredictable and may occur in the future. Failure by Congress to increase the federal debt ceiling, federal budget authorization delays, federal government shutdowns, or other political challenges may cause Medicare or Medicaid reimbursements to be further reduced or paid late, which effects may have a material adverse effect on the Obligated Group's business or financial condition.

On August 2, 2019, the Bipartisan Budget Act of 2019 was signed into law, which suspended the debt ceiling until July 31, 2021. Any future failure to increase the federal debt limit could have a material adverse effect on the operations, financial condition, and financial performance of the health care industry and the Obligated Group. In addition, the market price or marketability of the Bonds in the secondary market could be materially adversely affected by any failure to increase the federal debt limit.

State and Local Budgets

New York ended its 2018 fiscal year with a balance of $4.4 billion in its general fund (the "NY General Fund"), excluding the impact of $5.0 billion in monetary settlements with financial institutions. The New York State Legislature completed action on the $168.3 billion State budget for its 2019 fiscal year (the "NY State Enacted Budget") on March 30, 2018. The NY State Enacted Budget provides for balanced operations on a cash basis in the NY General Fund, as required by law. New York released the NY State Enacted Budget financial plan (the "NY State Financial Plan") in May 2018. New York released its Annual Information Statement, which reflects the NY State Financial Plan, in July 2018.

In the NY State Financial Plan, New York projects a balanced budget, on a cash basis, in fiscal year 2019, and potential gaps in fiscal years 2020, 2021 and 2022 of $4.0 billion, $6.9 billion and $7.0 billion, respectively. New York's projections for fiscal year 2019 and thereafter reflect an assumption that the Governor will continue to propose, and the New York State Legislature will continue to enact, balanced budgets in future years that limit annual growth in New York operating funds to no greater than 2 percent.

The NY State Enacted Budget and the NY State Financial Plan identify a number of risks inherent in the implementation of the NY State Enacted Budget and the NY State Financial Plan. Such risks include, but are not limited to, the performance of the national and New York economies; national and international events; ongoing financial risks in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; cybersecurity threats; major terrorist events, hostilities or war; climate change and extreme weather events; federal statutory and regulatory changes concerning financial sector activities; federal tax law and other programmatic purposes; changes concerning financial sector bonus payouts and any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; the impact of financial and real estate market developments on bonus income and capital gains realizations; the effect of household debt on consumer spending and New York tax collections; the outcome of litigation and other claims affecting New York; wage and benefit increases for New York employees that exceed projected annual costs; changes in the size of New York's workforce; the realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for New York employees affecting New York's required pension fund contributions; the willingness and ability of the federal government to provide the aid expected in the NY State Financial Plan; the ability of New York to implement cost reduction initiatives and the success with which New York controls expenditures; and the ability of New York and public authorities to market securities successfully in the public credit markets.

The financial challenges facing the State of New York may negatively affect hospitals in a number of ways, including elimination or reduction of health care safety net programs (causing a greater number of indigent, uninsured or underinsured patients), reductions in Medicaid reimbursement rates or delays in Medicaid reimbursement payments. The financial challenges may also result in a greater number of indigent, uninsured or underinsured patients who are unable to pay for their care or access primary care facilities. It is reasonable to expect that state governors or legislatures will continue to pursue cost containment measures to keep the New York's budget in balance, in part by aggressively managing New York's health care spending.

Health Care Facility Transformation Program Grants

The State of New York has awarded the System a $300 million grant, split into two phases: an $18 million grant awarded in 2018 ("Phase I") and a $282 million grant awarded in 2019 ("Phase II" and, together with Phase I, the "HCFTP Grant"), the proceeds of which are to be applied, together with a portion of the proceeds of the Bonds, toward costs relating to the new hospital facility construction project. Funds from the HCFTP Grant are to be disbursed on an as needed basis, through a requisition process. Through September 2019, MVHS has received $11 million from the HCFTP Grant and expects to utilize the remainder throughout the construction period. The terms of the HCFTP Grant are governed

by separate master contracts for each phase, each providing for the possibility of termination in the event that MVHS fails to comply with certain terms or violates any representations, covenants and/or warranties made therein. No assurance can be given that the State of New York will not suspend HCFTP Grant contributions to the System or seek to terminate any of its obligations under the master contracts. A suspension or termination of the HCFTP Grant master contracts could have a material adverse effect on the System's ability to finance and complete the new hospital facility project. For additional information on the funding of the new hospital facility project using grant proceeds, see APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM – THE NEW REGIONAL HEALTHCARE CAMPUS – Estimated Costs and Funding." The New York State Legislature first appropriated funds for payment of the HCFTP Grant in the New York State fiscal year 2015-2016 budget, and this appropriation has been extended annually in subsequent budgets. No assurance can be given that this appropriation will be continued in future years. A failure by the New York State Legislature to appropriate funds for the remaining balance due under the $300,000,000 HCFTP Grant could have a material adverse effect on the System's ability to finance and complete the New Hospital Project.

General Economic Factors and Credit Market Disruptions

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

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

Tax Reform

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

Group, particularly for capital expenditures, as well as the operations, financial position and cash flows of the Members of the Obligated Group.

Licensing, Certification and Accreditation Requirements

The health care facilities of the Members of the Obligated Group are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These may be affected by regulatory action and policy changes by governmental and private agencies that administer Medicare, Medicaid and other third-party payment programs, as well as action by, among others, accrediting bodies such as The Joint Commission, and federal, state and local government agencies. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections or other reviews generally conducted in the normal course of business of health facilities. Actions in any of these areas could result in a reduction in utilization, revenues or both, or the inability of the Members of the Obligated Group (or future Members of the Obligated Group) to operate all or a portion of such facilities or to bill various third-party payors, and, consequently, could materially adversely affect the Obligated Group.

Possible Staffing Shortages

In recent years, the health care industry has suffered from a scarcity of physicians in certain specialties, nurses and other qualified health care technicians and personnel. Factors underlying this trend include increased demand for trained personnel combined with an insufficient number of qualified graduates to meet the growing need, and the aging of the workforce generally. Any of these factors may be expected to intensify in the future, aggravating the shortage of physicians, nursing personnel or other qualified health care technicians and personnel. This trend could force the Members of the Obligated Group to pay higher than anticipated salaries to personnel as competition for such employees intensifies and, in an extreme situation, could lead to difficulty maintaining licenses to provide health care services for the facilities of the Members of the Obligated Group and, as a result, maintaining eligibility for reimbursement under Medicare and the various state Medicaid programs. In the event of a shortage or difficulty in the direct hire of health care personnel, the Members of the Obligated Group could be required to seek indirect hire of such professionals through an increased use of third-party staffing, at higher cost.

Malpractice and General Liability Insurance

In recent years, the number of malpractice and general liability suits and the dollar amount of damage recoveries have increased nationwide, resulting in substantial increases in insurance premiums. Actions alleging wrongful conduct and seeking punitive damages are often filed against hospitals. Litigation may also arise from the corporate and business activities of the Obligated Group, including employee-related matters, medical staff and provider network matters and denials of medical staff and provider network membership and privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims, business disputes and workers' compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of the Obligated Group if determined or settled adversely. Claims for punitive damages may not be covered by insurance under certain state laws. Although the Obligated Group currently maintains self-insurance reserves and carries malpractice and general liability insurance which management considers adequate, management is unable to predict the availability, cost or adequacy of such insurance in the future.

The Centers for Medicare & Medicaid Services ("*CMS*") and certain private insurers and HMOs will not reimburse hospitals for medical costs arising from certain "never events," which include specific

preventable medical errors. The occurrence of "never events" or "serious reportable events" is more likely to be publicized and may negatively affect a hospital's reputation, reducing future utilization and potentially increasing the possibility of liability claims.

Any judgments or settlements that exceed insurance coverages or self-insurance reserves could have a material adverse effect on the financial condition of the Obligated Group. Moreover, the Management of the System is not able to predict the cost or availability of any such insurance in the future. *See* APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM – FINANCIAL AND OPERATING INFORMATION – Insurance Arrangements" hereto.

Facility Damage

Hospitals are highly dependent on the condition and functionality of their physical facilities. Damage from natural causes, fire, deliberate acts of destruction, terrorism or various facility system failures may have a material adverse impact on hospital operations, financial conditions and results of operations, especially if insurance is inadequate to cover resulting property and business losses.

Natural Disasters

The occurrences of natural disasters, including floods, blizzards, tornadoes and earthquakes, may damage Obligated Group facilities, interrupt utility service to facilities or otherwise impair the operation of some Obligated Group facilities or the generation of revenues beyond existing insurance coverage.

Fire

Although the facilities are covered by insurance, a significant fire affecting one or more of the Obligated Group's facilities could have a material adverse effect on the Obligated Group and could result in material damage and temporary or permanent cessation of operations at one or more of the facilities of the System.

Increased Competition

The health care business is highly competitive. The Obligated Group will likely face increased competition from other providers of health care that offer health care services to the population which the Obligated Group services. This could include the construction of new, or the renovation of existing, hospitals, specialty hospitals, ambulatory surgical centers and other ambulatory care facilities and private laboratory and radiological services. There are also some services that could be provided by others which could be substituted for some of the revenue generating services offered by the Members of the Obligated Group.

Quality measures and future trends toward clinical transparency may have an unanticipated impact on the Obligated Group's competitive position and patient volumes. Health care consumers are now able to access hospital performance data on quality measures and patient satisfaction, as well as standard charges for services, to compare competing providers. If any of the Obligated Group's health care facilities achieve poor results (or results that are lower than their competitors') on quality measures or patient satisfaction surveys, or if patients perceive its standard charges as being higher than their competitors', the Obligated Group may attract fewer patients.

Future competition may arise from new sources not currently anticipated or prevalent. Additionally, scientific and technological advances, new procedures, drugs and devices, preventive medicine and outpatient health care delivery may reduce utilization and revenues of hospitals in the future

or otherwise lead the way to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology.

Uncompensated Care

Hospital providers across the country continue to see a rise in uncompensated care that further increases the proportion of patients who are unable to pay fully for their cost of care. The Tax Cuts and Jobs Act's elimination of the penalty associated with the ACA's individual mandate is likely to increase the number of uninsured. Increases in contracted reimbursement rates may not be sufficient to fully offset the increased cost of uncompensated care.

Physician Relationships

The success of the businesses conducted by the Members of the Obligated Group depends in significant part on the number, quality, specialties, and admitting and scheduling practices of admitting physicians. Accordingly, it is essential to the Members of the Obligated Group's ongoing business that they attract an appropriate number of quality physicians in the specialties required to support their services and that they maintain good relationships with those physicians. A shortage of physicians, especially in primary care, could become a significant issue for health providers in the coming years.

The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges, or who have membership or privileges curtailed, denied or revoked, often file legal actions against hospitals. Such action may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of the medical staff may result in hospital liability to third parties. All hospitals, including those owned and operated by the Members of the Obligated Group, are subject to such risk.

Labor Relations and Collective Bargaining

Hospitals are large employers with a wide diversity of employees. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to hospitals. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue and hospital reputation. *See* APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM – MEDICAL STAFF – Labor Relations" for information about unionized employees.

Class Actions

Hospitals, health systems and other health care providers have long been subject to a wide variety of litigation risks, including liability for care outcomes, employer liability, property and premises liability, and peer review litigation with physicians, among others. In recent years, consumer class action litigation has emerged as a potentially significant source of litigation liability for hospitals, health systems and other health care providers. These class action suits have most recently focused on hospital billing and collections practices and breaches of privacy, and they may be used for a variety of currently

unanticipated causes of action. Since the subject matter of class action suits may involve uninsured risks, and since such actions often involve alleged large classes of plaintiffs, they may have material adverse consequences on hospitals and health systems in the future. *See* "– Wage and Hour Class Actions and Litigation" below.

Pension and Benefit Fund Liabilities

The Members of the Obligated Group may incur significant expenses to fund pension and benefit plans for employees and former employees and to fund required workers' compensation benefits. Funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes. In addition, to the extent investment returns are lower than anticipated or losses on investments occur, the Members of the Obligated Group may also be required to make additional deposits in connection with pension fund liabilities. *See* APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM – FINANCIAL AND OPERATING INFORMATION – Pension" for information about defined benefit pension plans of the Obligated Group.

Wage and Hour Class Actions and Litigation

Federal law and many states impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and similar requirements. Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards. In recent years there has been a proliferation of lawsuits over these "wage and hour" issues, often in the form of large class actions. For large employers, such as the Members of the Obligated Group, such class actions can involve multi-million dollar claims, judgments and/or settlements. A major class action decided or settled adversely to MVHS or any other Member of the Obligated Group could have a material adverse effect.

Action by Consumers and Purchasers of Health Care Services

Major purchasers of health care services also could take action to restrain hospital or other provider charges or charge increases. As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers, and hospitals may be forced to reduce fees for their services. Decreased utilization could result, and health care revenues may be negatively impacted. In addition, consumers and groups on behalf of consumers are increasing pressure for hospitals and other health care providers to be transparent and provide information about cost and quality of services that may affect future consumer choices about where to receive health care services.

Audits, Exclusions, Fines, Withholds and Enforcement Actions

Health care providers participating in Medicare and Medicaid are subject to audits and retroactive audit adjustments by fiscal intermediaries under the Medicare and Medicaid programs. From an audit, a fiscal intermediary may conclude that services may not have been provided under the direct supervision of a physician (to the extent so required), that a patient should not have been characterized as an inpatient, that certain services provided prior to admission as an inpatient should not have been billed as outpatient services, or that certain required procedures or processes were not satisfied, or that certain costs were unreasonable, not allowable, not incurred or incorrectly classified. As a consequence, payments may be retroactively disallowed or recouped. Regulations also provide for withholding of payments in certain circumstances, and such withholdings could have a substantial adverse effect on the financial condition of the health care provider, including, the Members of the Obligated Group. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the

federal and state statutes, subjecting the health care provider to civil or criminal sanctions. The Members of the Obligated Group, as health care providers, are subject to all such risks. *See* the information under the heading "REGULATION OF THE HEALTH CARE INDUSTRY."

Information Systems and Technology

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

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

Future government regulation and adherence to technological advances could result in an increased need of the Members of the Obligated Group to implement new technology. Such implementation could be costly and is subject to cost overruns and delays in application, which could negatively affect the financial condition of the Obligated Group.

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

Cyber-Attacks

Despite the implementation of network security measures by the Members of the Obligated Group, their information technology systems may be vulnerable to breaches, hacker attacks (including ransomware), computer viruses, physical or electronic break-ins and other similar events or issues. The Federal Bureau of Investigation has expressed concern that health care systems are prime targets for such cyber-attacks due to the mandatory transition from paper records to electronic health records and a higher financial payout for medical records in the black market, and health care systems have recently been subject to such attacks. Such events or issues could lead to the inadvertent disclosure of protected health information or other confidential information or could have an adverse effect on the ability of the Members of the Obligated Group to provide health care services. The Members of the Obligated Group have systems in place to combat potential attacks, however, no assurance can be given that such attacks

may not be successful in the future. Any breach or cyber-attack that comprises patient data could result in negative press and substantial fines or penalties for violation of HIPAA (defined below) or similar state privacy laws. *See* "REGULATION OF THE HEALTH CARE INDUSTRY" below.

Antitrust

Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, contracting with commercial insurers, Managed Care Organizations and other third party payors, physician relations, joint ventures, merger, affiliation and acquisition activities and certain pricing or salary setting activities, as well as other areas of activity. The application of the federal and state antitrust laws to health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. Violators of the antitrust laws may be subject to criminal and/or civil enforcement by federal and state agencies, as well as by private litigants in certain instances. At various times, MVHS or any other Member of the Obligated Group may be subject to an investigation or inquiry by a governmental agency charged with the enforcement of the antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. Common areas of potential liability are joint action among providers with respect to third party payor contracting and medical staff credentialing. With respect to third party payor contracting, the System may, from time to time, be involved in joint contracting activity with hospitals, physicians or other providers. The precise degree, if any, to which this or similar joint contracting activities may expose the participants to antitrust risk is dependent on a myriad of factual matters. Physicians who are subject to adverse peer review proceedings may file federal antitrust actions against hospitals and seek treble damages. Health care providers, including the Members of the Obligated Group, regularly have disputes regarding credentialing and peer review, and therefore may be subject to liability in this area. In addition, health care providers occasionally indemnify medical staff members who are involved in such credentialing or peer review activities, and may, therefore, also be liable with respect to such indemnity.

Environmental Laws and Regulations

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations which address, among other things, hospital operations, facilities and properties owned or operated by hospitals. Among the type of regulatory requirements faced by hospitals are (i) air and water quality control requirements, (ii) waste management requirements, (iii) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances, (iv) requirements for providing notice to employees and members of the public about hazardous materials handled by or located at hospitals and (v) requirements for training employees in the proper handling and management of hazardous materials and wastes.

As the owner and operators of properties and facilities, the Members of the Obligated Group may be subject to liability for hazardous substances that may have migrated off their properties, including remediation thereof. Typical hospital operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other materials, wastes, pollutants or contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may (i) result in damage to individuals, property or the environment, (ii) interrupt operations and increase their cost, (iii) result in legal liability, damages, injunctions or fines and (iv) result in investigations, administrative proceedings, penalties or other governmental agency actions. There is no assurance that the Members of the Obligated Group will not encounter such risks in the future, and such risks will not have a material adverse effect on the results of operations or financial condition of the Obligated Group.

At the present time, management is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues that, if determined adversely to MVHS or any other Member of the Obligated Group, would have a material adverse effect on the results of operations or financial condition of the Obligated Group as a whole.

Affiliations, Merger, Acquisition and Divestiture

As with many multi-hospital systems, the System discusses, plans for, evaluates and pursues potential mergers, joint ventures and affiliations as part of its overall strategic planning and development process. Discussions, planning and evaluation with respect to affiliations, mergers, acquisitions, dispositions and joint ventures, including those that may affect the Members of the Obligated Group, are held on a confidential basis internally and with other parties. These are most often conducted with acute care hospitals or hospital systems. As a result, it is possible that the organizations, assets and operations that currently make up the Obligated Group may change from time to time and that hospitals may be added or removed in the future.

As part of its ongoing planning and property management functions, the System reviews the use, compatibility and business viability of many of its operations, including the Members of the Obligated Group, and from time to time the System may pursue changes in the use of, or disposition of, various assets of MVHS and the other Members of the Obligated Group, including hospital facilities. Likewise, the System occasionally receives offers from, or conducts discussions with, third parties about the potential sale of some of the operations and properties of MVHS and the other Members of the Obligated Group.

Currently, the Members of the Obligated Group also have operating affiliations and joint ventures with other nonprofit and for-profit corporations. In certain instances, these affiliates may conduct operations that are of strategic importance to the Members of the Obligated Group, or their operations may subject the Members of the Obligated Group to potential legal or financial liabilities.

Additions to and Withdrawals from the Obligated Group

Upon satisfaction of certain conditions in the Master Indenture, other entities may become Members of the Obligated Group and the current Members of the Obligated Group may withdraw from the Obligated Group. If and when new Members of the Obligated Group are added or a current Member of the Obligated Group withdraws, such changes to the Obligated Group membership could result in changes to the Obligated Group's financial situation and operations.

Replacement Master Indenture

Obligations issued under the Master Indenture may be replaced by payment obligations issued under a Replacement Master Indenture upon delivery of such Replacement Master Indenture to the Master Trustee upon the terms and conditions provided in the Master Indenture. The new obligated group may be different from the Obligated Group or Combined Group under the Master Indenture, and the financial condition or results of operations of the new obligated group may be materially different. Further, the Replacement Master Indenture may contain covenants and security that are different from the Master Indenture.

Risks Related to Bond Insurance

In the event the System defaults in the payment of scheduled principal of or interest on the Insured Bonds when due, the Bond Trustee on behalf of the Holders of the Insured Bonds will have a claim under the Policy for such payments. See "BOND INSURANCE." In the event that the Insurer

becomes obligated to make payments on the Insured Bonds, no assurance can be given that such event will not adversely affect the market for the Series 2019 Bonds. In the event that the Insurer is unable to make scheduled payments of principal of or interest on the Insured Bonds when due under the Policy, the Insured Bonds will be payable from Pledged Revenues and amounts held in certain funds and accounts established under the Bond Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES BONDS."

The long-term rating on the Insured Bonds is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated on a number of factors that could change over time. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the Series 2019 Bonds. See "RATINGS."

Neither MVHS nor the Underwriter has made an independent investigation of the claims-paying ability of the Insurer, and no assurance or representation regarding the financial strength or the projected financial strength of the Insurer is being made by the Obligated Group or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Insured Bonds, potential investors should carefully consider the claims-paying ability of the Insurer through the final maturity of the Insured Bonds and the ability of the Obligated Group to pay the principal of and interest on the Insured Bonds, assuming that the Policy is not available for that purpose.

So long as the Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Bond Indenture and will have the right to control all remedies as to the Insured Bonds in the event of a default under the Bond Indenture or the Master Indenture. The Insurer is not required to obtain consent of the Holders of the Insured Bonds with respect to the exercise of remedies. See APPENDIX C – "SUMMARY OF INDENTURE AND LOAN AGREEMENT."

Other Bondholders' Risks

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

1. Hospitals are major employers, combining a complex mix of professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary and other types of workers in a single operation. As with all large employers, the Obligated Group bears a wide variety of risks in connection with its employees. These risks include strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees, between physicians or management and employees, or between employees and patients), 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 Members of the Obligated Group are subject to all of the risks listed above, and such risks, alone or in combination, could have a material adverse consequences to the financial condition or operations of the Obligated Group.

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

equipment or specialists, governmental approval or the ability to finance these acquisitions or operations.

3. Reduced demand for the services of the Members of the Obligated Group that might result from decreases in population in their respective service areas.

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

5. Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the community in order to maintain the charitable status of the Members of the Obligated Group.

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

7. The occurrence of a large-scale terrorist attack that increases the proportion of patients who are unable to pay fully for the cost of their care and that disrupts the operation of certain health care facilities by resulting in an abnormally high demand for health care services.

8. Instability in the stock market which may adversely affect both the principal value of, and income from, the Obligated Group's investment portfolio.

9. A national or localized outbreak of a highly contagious or epidemic disease.

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REGULATION OF THE HEALTH CARE INDUSTRY

General Health Care Industry Factors

The Members of the Obligated Group, and the health care industry in general, are subject to regulation by a number of governmental agencies, including those which administer the Medicare and Medicaid programs, federal, state and local agencies responsible for administration of health planning programs and other federal, state and local governmental agencies. The health care industry is also affected by federal, state and local policies developed to regulate the manner in which health care is provided, administered and paid for nationally and locally. As a result, the health care industry is sensitive to legislative and regulatory changes in such programs and is affected by reductions and limitations in government spending for such programs as well as changing health care policies. The pressure to curb the rate of increase in governmental spending in health care programs overall and on a per beneficiary basis is expected to increase as the U.S. population ages. Among other effects, this pressure may result in further reductions in payment rates for hospital services and increased utilization of managed care in the Medicare and Medicaid programs. In addition, Congress and other governmental agencies have focused on the provision of care to indigent and uninsured or underinsured patients, the prevention of "dumping" such patients on other hospitals in order to avoid provision of unreimbursed care, and other issues. Adoption of additional regulations in these areas could have an adverse effect on the results of operations of the Members of the Obligated Group. Furthermore, laws promulgated by Congress and state legislatures, which regulate the manner in which health care services are provided and billed for, are increasing. As a result, the costs of complying with these laws and regulations are increasing. Some of the legislation and regulations affecting the health care industry are discussed in this section.

Federal and State Legislation; National Health Care Reform

General

A significant portion of the revenues of the Obligated Group is derived from Medicare, Medicaid and other third-party payors. For a breakdown of the sources of payment for services provided by the System and its consolidated affiliates, *see* APPENDIX A – "INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM – FINANCIAL AND OPERATING INFORMATION – Payor Mix" hereto.

Medicare is a federal program administered by the CMS, through Medicare Administrative Contractors. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older and other classes of individuals. Medicare Part A generally covers health services provided by institutional entities, including hospital, home health, nursing home care, and certain other providers. Medicare Part B covers outpatient services, certain physician services, medical supplies and durable medical equipment.

Medicaid is a federally assisted, state administered program of medical assistance that provides reimbursement for a portion of the cost of caring for certain indigent persons including: parents and caretakers, relatives of children, children, pregnant women, former foster care individuals, non-citizens with medical emergencies, aged or disabled individuals not currently receiving Supplemental Security Income, and other individuals that qualify for a state's Medicaid program. Under the ACA, states have the option to expand Medicaid to cover individuals under the age of 65 with incomes up to 138% of the federal poverty level; the federal government pays 93% in 2019 and 90% in 2020 and beyond. Medical benefits are available under each participating state's Medicaid program, within prescribed limits, to persons meeting certain minimum income or other need requirements. The Medicaid program provides

payments for medical items and services for any person who is determined to be eligible for Medicaid assistance on the date of service. Federal and state funds support the Medicaid program. Medicaid benefits are available, within prescribed limits, to persons meeting certain minimum income or other need requirements. Payment for medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines, and providers are eligible to receive Medicaid payments up to, but not in excess of, the cost of providing such care. However, because the state is required to contribute funding prior to federal investment, most states' Medicaid programs reimburse providers for significantly less than the amount that would cover costs for treating this population. Fiscal considerations of state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries. Delays in appropriations and state budget deficits which may occur from time to time create a risk that payment for services to Medicaid patients will be withheld or delayed. CMS regulations can also impact services and facilities that are eligible for reimbursement. Payments under the Medicaid program represent a significant portion of the Obligated Group's gross patient service revenue.

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

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

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

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

The Affordable Care Act ("ACA")

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

The ACA and its implementation have been, and remain, politically controversial. The ACA has continually faced, and continues to face, legal and legislative challenges, including repeal efforts. President Trump and Republican leaders of Congress have repeatedly cited health care reform, and particularly repeal and replacement of the ACA, as a key goal. To that end, certain members of Congress have introduced various ACA repeal bills. While no bills wholly repealing the ACA have passed both chambers of Congress, the Tax Cuts and Jobs Act (discussed above) effectively eliminated a key provision of the ACA – a tax penalty associated with failing to maintain health coverage (the "*Individual Mandate Tax Penalty*") by reducing the penalty to zero dollars effective January 1, 2019. Additionally, on December 14, 2018, a Texas Federal District Court judge, in the case of *Texas v. Azar* declared the ACA unconstitutional, reasoning that the Individual Mandate Tax Penalty was essential to and not severable from the remainder of the ACA. The case has been appealed to the U.S. Court of Appeals for the Fifth Circuit. In a letter dated March 25, 2019, the U.S. Department of Justice stated that it "has determined that the district court's judgment should be affirmed." The ACA will remain law while the case proceeds through the appeals process; however, the case creates additional uncertainty as to whether any or all of the ACA could be struck down, which creates operational risk for the health care industry. Management cannot predict the effect of the elimination of the Individual Mandate Tax Penalty, the final result and effect of the *Texas v. Azar* case, the likelihood of any future ACA repeal bills or other health care reform bills becoming law, or the subsequent effects of any such laws or legal decisions, though such effects could materially impact the Obligated Group's business or financial condition. In particular, any legal, legislative or executive action that (1) reduces federal health care program spending, (2) increases the number of individuals without health insurance, (3) reduces the number of people seeking health care, or (4) otherwise significantly alters the health care delivery system or insurance markets, could have a material adverse effect on the Obligated Group's business or financial condition.

Executive branch actions can also have a significant impact on the viability of the ACA. President Trump has issued two broad executive orders aimed at de-regulation: (1) one requiring federal agencies to remove two previously implemented regulations for every new regulation added, and (2) one directing each federal agency to set up a "regulatory reform task force" to review existing regulations and eliminate those that are costly or unnecessary. President Trump has issued executive actions directly aimed at the ACA: (1) one requiring federal agencies with authorities and responsibilities under the ACA to "exercise all authority and discretion available to them to waive, defer, grant exemptions from, or delay" parts of the law that place "unwarranted economic and regulatory burdens" on states, individuals or health care providers, (2) a second instructing federal agencies to make new rules allowing the proliferation of "association health plans" and short-term health insurance, which plans have fewer benefit requirements than those sold through ACA insurance exchanges, (3) a third ordering the federal government to withhold ACA cost-sharing subsidies currently paid to insurance companies in order to reduce deductibles and co-pays for many low-income people, and (4) a fourth order regarding health care price and quality transparency that directs federal rulemaking by executive agencies to increase transparency of healthcare price and quality information. Additional executive branch actions include: (i)

the issuance of a final rule in June 2018 by the Department of Labor to enable the formation of health plans that would be exempt from certain ACA essential health benefits requirements; (ii) the issuance of a final rule in August 2018 by the Departments of Labor, Treasury, and Health and Human Services to expand the availability of short-term, limited duration health insurance; (iii) eliminating cost-sharing reduction payments to insurers that would otherwise offset deductibles and other out-of-pocket expenses for health plan enrollees at or below 250 percent of the federal poverty level; (iv) relaxing requirements for state innovation waivers that could reduce enrollment in the individual and small group markets and lead to additional enrollment in short-term, limited duration insurance and association health plans; (v) the issuance of a final rule by the Departments of Labor, Treasury, and Health and Human Services ("*DHHS*") that would incentivize the use of health reimbursement arrangements by employers to permit employees to purchase health insurance in the individual market; and (vi) a proposed rule from CMS that would require hospitals to make public their standard charges for all items and services payor-specific negotiated rates. The uncertainty resulting from these executive branch policies led to reduced exchange enrollment in 2018 with final CMS reported data for 2019 indicating further decline, and is expected to further worsen the individual and small group market risk pools in future years. It is also anticipated that these and future policies may create additional cost and reimbursement pressures on hospitals.

These executive actions have the potential to significantly impact the insurance exchange market by causing a reduction in the number of healthy individuals in the ACA health insurance exchanges, a reduction in the number of plans available on the health insurance exchanges, and/or an increase in insurance premiums. Management cannot predict the likelihood or effect of any current or future executive actions on the Obligated Group's business or financial condition, though such effects could be material.

The majority of the ACA remains law. Certain key provisions of the law are briefly described below:

1. Private Health Insurance Coverage Expansion/Insurance Market Reforms. One key provision of the ACA was the Individual Mandate Tax Penalty (discussed above) which required most Americans to maintain "minimum essential" health coverage or pay a tax penalty to the federal government. Individuals who were not deemed exempt from the Individual Mandate Tax Penalty and otherwise did not obtain health coverage through an employer or government program were expected to satisfy the mandate by purchasing insurance from a private company or through a "health insurance exchange." The health insurance exchanges are government-established organizations that provide competitive markets for buying health insurance by offering individuals and small employers a choice of different health plans, certifying plans that participate, and providing information to help consumers better understand their options. The Tax Cuts and Jobs Act effectively eliminated the Individual Mandate Tax Penalty by reducing the penalty to zero dollars effective January 1, 2019. While the effect of the elimination of the Individual Mandate Tax Penalty remains uncertain, it has been predicted that it will result in fewer healthy individuals purchasing insurance (through the exchanges or otherwise) and increase the number of uninsured individuals.

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

The ACA also includes an "employer mandate." The "employer mandate" provisions require the imposition of penalties on employers having 50 or more employees that do not offer qualifying health insurance coverage to those working 30 or more hours per week. The ACA also established a number of

other health insurance market reforms, including bans on lifetime limits and pre-existing condition exclusions, new benefit mandates, and increased dependent coverage (until the age of 26).

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

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

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

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

5. Fraud and Abuse Enforcement Enhancements. In an attempt to reduce unnecessary health care spending, the ACA includes a number of provisions aimed at combating fraud and abuse within the Medicare and Medicaid programs. Such provisions provide increased federal funding to fight health care fraud and abuse, provide government agencies with additional enforcement tools and investigation flexibility, facilitate cooperation between agencies by establishing mechanisms for information sharing, and enhance criminal and administrative penalties for non-compliance with the federal fraud and abuse laws (e.g., the Anti-Kickback Law, the Stark Law and the FCA, each as defined and discussed below). Management is not currently aware of any pending recovery audit which, if determined adversely to the

Obligated Group, would materially adversely affect the business or financial condition of the Obligated Group.

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

Medicare Reimbursement

Hospitals generally are paid for inpatient and outpatient services provided to Medicare beneficiaries under a prospective payment system ("*PPS*"). Under PPS, a fixed payment is made to hospitals based on the average cost of care incurred in providing various kinds of services. Additionally, under PPS, the amount paid to the provider for an episode of care is established by federal regulation and is not related to the provider's charges or costs of providing that care. Presently, inpatient and outpatient services, skilled nursing care, and home health care are paid on the basis of PPS.

Value-based purchasing and other alternative payment model initiatives tying health care provider reimbursement to quality, efficiency, or patient outcome measures will increasingly affect health care provider operations and may negatively impact revenues if the provider is unable to meet targeted measures. CMS sets goals for tying traditional Medicare payments to quality or value through alternative payment models such as accountable care organizations, bundled payment arrangements or integrated care demonstrations and continues to focus on moving the health care system towards paying for value. In 2016, CMS released final regulations for implementation of the Medicare Access and CHIP Reauthorization Act ("*MACRA*") and its physician Quality Payment Program ("*QPP*"), which dramatically alters the way physicians and other clinicians are reimbursed by Medicare. The QPP and other federal delivery reform initiatives evidence a rapid volume-value shift within Medicare and could present challenges for the Obligated Group and the employed or contracted clinicians with whom the Obligated Group partners to deliver care. It is generally anticipated that CMS will continue to experiment with additional alternative payment models. Additionally, private payors are moving toward value-based purchasing and alternative payment models.

Hospital Inpatient Reimbursement

Under PPS, acute care hospitals generally are paid for inpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as diagnosis related groups ("*DRGs*"). Hospitals also may receive outlier payments for extraordinarily costly cases that exceed a federally established condition-based threshold. DRG rates and outlier thresholds are subject to adjustment by CMS. There is no guarantee that hospital inpatient reimbursement will cover actual costs of providing services to Medicare patients.

Hospital Outpatient Reimbursement

Hospitals generally are paid for outpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as ambulatory payment classifications ("*APC*"). The actual cost of care, including capital costs, may be more or less than the reimbursements based on APCs. There is no guarantee that hospital outpatient reimbursement will cover actual costs of providing services to Medicare patients.

Bipartisan Budget Act of 2015

The Bipartisan Budget Act of 2015 (the "*BBA 2015*") changed the reimbursement methodology for items and services furnished in certain off-campus hospital outpatient departments ("*HOPDs*"). Beginning January 1, 2017, off-campus HOPDs established on or after November 2, 2015 ("*non-excepted HOPDs*") are no longer eligible for payment under the hospital outpatient prospective payment system ("*OPPS*") for non-emergency services. A hospital outpatient department is considered to be "off-campus" if it is located more than 250 yards from a main provider hospital or a remote location of a hospital. Instead, non-emergency services performed at these facilities will be paid under the Medicare Physician Fee Schedule ("*PFS*") at a set of PFS payment rates that are specific to hospitals. Effective January 1, 2018, these hospital specific PFS rates are based on 40% of the comparable OPPS rate. Beginning January 1, 2019, CMS began applying the PFS equivalent pay rate for certain evaluation and management services when provided at an off-campus HOPD that is paid under the OPPS, including at those HOPDs grandfathered under BBA 2015, stepping down from 70% of OPPS rates in 2019 and 40% of OPPS rates in 2020 and thereafter. The reimbursement changes implemented under the BBA 2015 and the recent CMS reimbursement policies implemented for calendar year 2019 and proposed for calendar year 2020, threaten to further reduce revenues to off-campus HOPDs. While CMS's adoption of this payment policy with respect to grandfathered HOPDs is currently being challenged in court, there can be no assurance that CMS's policy will not become permanent.

Section 340B Drug Pricing Program

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

CMS's calendar year 2018 final OPPS rule, issued on November 13, 2017, substantially reduced Medicare Part B reimbursement for 340B Program drugs paid to hospitals and ASCs. Beginning January 1, 2018, CMS reimbursement for certain separately payable drugs or biologicals that are acquired through the 340B Program by a hospital paid under the OPPS (and not excepted from the payment adjustment policy) is the average sales price ("*ASP*") of the drug or biological minus 22.5 percent, an effective reduction of 26.89% in payments for 340B program drugs. In calendar year 2019, rural sole community hospitals, children's hospitals, and PPS-exempt cancer hospitals are excepted from the 340B payment adjustment. In the calendar year 2019 OPPS final rule, CMS extended the policy to pay ASP minus 22.5% for 340B-acquired drugs when those drugs are furnished by non-excepted off-campus HOPDs. In the calendar year 2020 OPPS proposed rule, CMS has proposed to continue to pay ASP minus 22.5% for 340B-acquired drugs furnished by non-excepted off-campus HOPDs.

In December 2018, the U.S. District Court for the District of Columbia ruled that DHHS did not have statutory authority to implement the 2018 Medicare OPPS rate reduction related to hospitals that qualify for drug discounts under the 340B Program and granted a permanent injunction against the payment reduction. The hospitals subsequently asked the court for a permanent injunction on the 2019 OPPS final rule. On May 6, 2019, the court held that the 2018 and 2019 rate reductions were unlawful and remanded the rules back to DHHS. The case has been appealed by DHHS. In the 2020 OPPS

proposed rule, CMS requested comments on potential corrective actions in the event the government is unsuccessful on appeal, such as implementing a reimbursement rate of ASP plus 3%. Management is unable to predict the ultimate outcome of any appeal and the type of relief that may be ordered by the courts.

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

Medical Education Payments

Medicare currently pays for a portion of the costs of medical education at hospitals that have teaching programs. These payments are vulnerable to reduction or elimination. The direct and indirect medical education reimbursement programs have repeatedly emerged as targets in the legislative efforts to reduce the federal budget deficit. There can be no assurance that medical education payments will remain at current levels.

Medicare DSH Payments

The Medicare DSH payment is a percentage add-on to the standardized payment per discharge under the Medicare PPS for the operating costs of inpatient hospital services. There are two methods for determining qualification for Medicare DSH payments and the amount of payments. The first, most common, method is based on a hospital's disproportionate patient percentage, which considers the proportion of patients eligible for Medicaid but not Medicare Part A and the proportion of Medicare Part A patients who are also entitled to supplemental security ("*SSI*") benefits. The second method is based on a hospital's percentage of revenues attributable to state and local funding (excluding Medicaid and Medicare revenues) for low-income patient care.

The ACA provides for a reduction in Medicare DSH payments, which took effect on October 1, 2013. Instead of the amount that would otherwise be paid as the DSH adjustment, hospitals receive 25% of the amount they would have previously received. The remainder, equal to 75% of what otherwise would have been paid as Medicare DSH, becomes available for an uncompensated care payment after the amount is reduced for changes in the percentage of individuals who are uninsured. CMS is currently using uncompensated care costs reported on Worksheet S-10 in combination with insured low income days (the sum of Medicaid days and Medicare SSI days) to develop hospital uncompensated care payments. Each hospital eligible for Medicare DSH payments receives an uncompensated care payment based on its relative share of total uncompensated care costs and low income days reported by Medicare DSHs.

Medicare DSH payments will decrease as the number of uninsured decreases. Congress may make changes to the budget in the future and CMS may change its methodology for calculating uncompensated care costs and other elements of the DSH payment in the future. There can be no assurance that the current level of Medicare DSH reimbursement will continue in the future.

Value-Based Payments

The ACA has increased the use of value-based payments to incentivize providers to control costs and provide better quality care. These models can seek both vertical and longitudinal alignment of health care providers and payors and can require providers to share in upside and/or downside financial risk. Current models include bundled payment models and accountable care/population health models.

Bundled payment models establish a budgeted payment to cover the entire cost of an episode of care (e.g., a hip or knee replacement). Examples of bundled payment models include, among others, Bundled Payments for Care Improvement ("*BPCI*") Initiative models 2, 3 and 4 (which expired September 30, 2018); BPCI-Advanced; Comprehensive Care for Joint Replacement; and the Oncology Care Model. Population health models incentivize providers to maintain or improve quality while reducing cost through shared savings or shared loss arrangements. Population health models usually involve a form of capitated payment, which is a per patient payment for the cost of care over a set period of time. Population health models include the Medicare Shared Savings Program ("*MSSP*") and Next Generation Accountable Care Organization ("*ACO*") model.

CMS has encouraged the use of alternative payment models and it is generally anticipated that CMS will continue to experiment with additional alternative payment models. Additionally, private payors are moving toward value-based purchasing and alternative payment models. Value-based and other alternative payment model initiatives tying health care provider reimbursement to quality, efficiency, or patient outcome measures will increasingly affect health care provider operations and may negatively impact revenues if the provider is unable to meet targeted measures.

In 2015, CMS set a goal of tying 50% of traditional Medicare payments to quality or value through alternative payment models such as accountable care organizations, bundled payment arrangements or integrated care demonstrations by the end of 2018. While CMS has since stated that it is no longer aiming for these Obama-era goals, it continues to propose new payment models and evaluate the impact of existing ones, which has led to some confusion in the industry.

Physician Payments

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

In April 2015, MACRA established QPP, which repealed the sustainable growth rate methodology for updates to the PFS, changed the way that Medicare rewards clinicians for services, streamlined existing quality and value programs, and provided for bonus payments to physicians and other clinicians for participating in certain payment models. The QPP provides incentive payments to eligible clinicians participating in Medicare Part B through two tracks: the Merit-based Incentive Payment System ("*MIPS*") and Advanced Alternative Payment Models ("*Advanced APMs*"). In 2016, CMS released final regulations implementing the QPP. The 2020 PFS proposed rule budget neutrality factor would adjust reimbursement levels upward by 0.14% in 2020; otherwise PFS would then remain at the same reimbursement level (0.0% increase) through 2025. Beginning in 2026, the PFS will be increased either by (i) 0.25% annually for providers participating in MIPS, or (ii) 0.75% annually for providers participating in Advanced APMs.

MIPS, which is the "default track" under MACRA, provides eligible clinicians with an adjustment to their Medicare Part B reimbursement based on performance in four categories: Quality, Promoting Interoperability, Improvement Activities, and Cost. MIPS combines into a single program aspects of CMS's prior quality and value programs, including the Physician Quality Reporting System, Medicare Electronic Health Records Incentive Program, and the Physician Value-Based Payment Modifier. MIPS eligible clinicians include physicians, physician assistants, nurse practitioners, clinical nurse specialists and certified registered nurse anesthetists. 2017 was the first MIPS performance period. CMS scored and

weighted the data reported for performance year 2017 and is applying a performance adjustment in the 2019 payment year.

Advanced APMs are alternative payment models ("*APMs*") that use certified electronic health record technology, provide for payment for covered professional services based on quality measures comparable to those in the quality performance category under MIPS, and either require that participating APM entities bear risk for financial losses of more than a nominal amount under the APM or be a type of Medical Home Model. Eligible clinicians who meet threshold Medicare participation levels in their Advanced APMs may be entitled to incentive payments.

The QPP and other federal delivery reform initiatives evidence a rapid volume-value shift within Medicare and could present challenges for certain of the Members of the Obligated Group and the employed or contracted clinicians with whom the Members of the Obligated Group partner to deliver care. The new quality reporting programs may negatively impact the reimbursement amounts received by the Obligated Group for the cost of providing physician services.

Current or new legislation that reduces Medicare payments could adversely affect the Obligated Group. There is no assurance that the Obligated Group will be paid amounts that will reflect adequately its costs incurred in providing inpatient hospital services to Medicare beneficiaries, as well as any changes in the cost of providing health care or in the cost of health care technology being made available to Medicare beneficiaries. The ultimate effect on the Obligated Group will depend on its ability to control costs involved in providing inpatient hospital services.

Medicare Trust Funds

Two trust funds are maintained as part of the Medicare Program. Hospital Insurance ("*HI*") or Medicare Part A, helps to pay for hospital, home health, skilled nursing facility, and hospice care for the aged and disabled and is financed primarily by payroll taxes paid by workers and employers. The Medicare Board of Trustees' annual report in April 2019 indicated that the HI Trust Fund is not financed adequately and is projected to be exhausted in 2026. The other trust fund and various other components of the Medicare Program also have significant funding challenges. The Trustees recommended that Congress and the executive branch work together with a sense of urgency to address the depletion of the HI Trust Fund and the projected growth in hospital and other expenditures. Accordingly, it is likely that statutory and regulatory attempts to contain increases in Medicare costs will continue in the future.

Medicaid Reimbursement

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

Hospitals participating in the Medicaid program are subject to numerous requirements and regulations under the program. Failure to remain in compliance with any program requirements may subject the Medicaid provider to civil and/or criminal penalties, including fines and suspension or expulsion from the program, preventing the provider from receiving any funds under the Medicaid program. Noncompliance with Medicaid requirements, and suspension or exclusion from the Medicaid program, can also be a basis for mandatory or permissive suspension or exclusion from the Medicare program.

Significant changes have been and may be made in the Medicaid program which could have a material adverse effect on the financial condition of the Obligated Group. For example, under Medicaid, the federal government provides limited funding to states that have medical assistance programs that meet federal standards, and the ACA provides significantly enhanced federal funding for states to expand their Medicaid program to virtually all non-elderly, non-disabled adults with incomes up to 138% of the federal poverty level. Attempts to balance or reduce the federal and state budgets by decreasing funding of Medicaid may negatively impact spending for Medicaid and other state health care programs spending. Health care providers have been affected significantly in the last several years by changes to federal and state health care laws and regulations, particularly those pertaining to Medicaid. The purpose of much of this statutory and regulatory activity has been to contain the rate of increase in health care costs, particularly costs paid under the Medicaid program. Diverse and complex mechanisms to limit the amount of money paid to health care providers under the Medicaid program have been enacted, and may have a material adverse effect on the operations or financial condition of the Obligated Group.

State Medicaid Programs

While state Medicaid programs are rarely as important as the Medicare program to the operations, financial condition and financial performance of hospitals and other health care providers, state Medicaid programs nevertheless constitute an important payor source for many hospitals and other health care providers. These programs often pay hospitals and other health care providers at levels that are substantially below the actual cost of the care provided. Medicaid is jointly funded by states and the federal government, and adverse economic conditions that reduce state revenues or changes to the federal government's methodology for funding state Medicaid programs may result in lower funding levels and/or payment delays. This could have a material adverse effect on operations, financial condition and financial performance of hospitals and other health care providers, including the Obligated Group.

New York Medicaid and Other Payment Programs

As of April 14, 2014, the New York State program for mandatory Medicaid enrollment, known as the 1115 Waiver or The Partnership Plan, was amended to allow New York to reinvest over a five-year period up to $8 billion of the $17.1 billion in federal savings generated by State Medicaid reforms. Up to $6.42 billion of this amount will be applied to the Delivery System Reform Incentive Payment ("*DSRIP*") Program, which has a goal of reducing avoidable Medicaid hospitalizations by 25% over the next five years. The DSRIP payments are to be made to providers who collaborate in some fashion to achieve this goal and are to be paid based on performance. The full impact of the 1115 Waiver and the potentially significant loss in revenue from decreased hospitalizations upon the projected financial performance of the Obligated Group cannot be determined at this time.

New York State Medicaid Redesign

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.

All New York State Enacted Budgets since 2011-12 have assumed a targeted growth rate for Medicaid equal to the ten-year average change in the medical component of the Consumer Price Index ("*CPI*"). The ten-year average change in the medical component of CPI is projected at 2.9% in 2019. If

spending in any fiscal year is projected to exceed this budget cap, the New York State Department of Health ("*NYSDOH*") and the New York State Division of the Budget are authorized to develop and implement a plan of action to bring spending in line with the cap, which could include modifying or reducing payment methods or program benefits.

The effect of the Medicaid redesign process on the Obligated Group depends significantly on participation in new models of integrated care delivery, the ability to collaborate with different types of providers and relationships with Medicaid managed care plans, as those plans will play an increasingly larger role over the next several years. There can be no assurance that the anticipated gap-closing savings will be achieved or that the rate of annual growth in NYSDOH State Funds Medicaid spending will be limited. In addition, many of the cost-saving initiatives are dependent upon timely federal approvals, appropriate amendments to the existing systems and processes and a collaborative working relationship with health care industry stakeholders.

Children's Health Insurance Program

The Children's Health Insurance Program ("*CHIP*") is a federally funded insurance program for families that are financially ineligible for Medicaid, but cannot afford commercial health insurance. CMS administers CHIP, but each state creates its own program based upon minimum federal guidelines. CHIP insurance is provided through private health plans contracting with the state. Each state must periodically submit its CHIP plan to CMS for review to determine if it meets the federal requirements. If it does not meet the federal requirements, a state can lose its federal funding for the program.

From time to time, Congress and/or the President may seek to expand, reduce or fail to authorize CHIP. The ACA authorized an extension of the CHIP program through September 30, 2015. MACRA extended the CHIP program through September 30, 2017. President Trump signed a six-year reauthorization of CHIP into law on January 22, 2018. On February 9, 2018, Congress voted to extend CHIP for an additional four years, effectively extending CHIP through 2027.

Medicare/Medicaid Conditions of Participation

Certain health care facilities must comply with standards called "Conditions of Participation" in order to be eligible for Medicare and Medicaid reimbursement. Under the Medicare rules, hospitals accredited by an approving accrediting body, such as The Joint Commission are deemed to meet most of the Conditions of Participation. However, CMS may request that the state agency responsible for licensing hospitals, on behalf of CMS, conduct a "sample validation survey" of a hospital to determine whether it is complying with the Medicare or Medicaid Conditions of Participation. Failure to maintain The Joint Commission accreditation or to otherwise comply with the Conditions of Participation could have a material adverse effect on the financial condition of the Obligated Group.

Audits, Fines, Withholds and Enforcement Actions

The Department of Justice ("*DOJ*"), the Federal Bureau of Investigation and the Office of the Inspector General ("*OIG*") of DHHS have been conducting investigations and audits of the billing practices of many health care providers. Violations and alleged violations may be deliberate, but also frequently occur in circumstances where management is unaware of the conduct in question, as a result of mistake, or where the individual participants do not know that their conduct is in violation of law. Violations may occur and be prosecuted in circumstances that do not have the traditional elements of fraud, and enforcement actions may extend to conduct that occurred in the past. Violations carry significant sanctions. The government periodically conducts widespread investigations and audits, covering various categories of services, or certain accounting or billing practices. The Members of the Obligated Group may be required to undergo such audits by one or more of these agencies and may be required to make payments to resolve any such audits. It is possible that any such payments may be substantial and could have a material adverse effect on the Obligated Group.

In addition, the Health Insurance Portability and Accountability Act of 1996 ("*HIPAA*") also added provisions that prohibit certain types of manipulative Medicare billing practices. These include improperly coding (for billing purposes) services rendered in order to claim a higher level of reimbursement and billing for the provision of services or items that were not medically necessary. HIPAA also created increases the legal risk of provider billing and increases the risk that a Medicare provider will be the subject of a fraud investigation.

The federal Medicaid Integrity Program was created by the Deficit Reduction Act in 2005. The Medicaid Integrity Program was the first federal program established to combat fraud and abuse in the state Medicaid programs. Congress determined a federal program was necessary due to the substantial variations in state Medicaid enforcement efforts. The Medicaid Integrity Program's enforcement efforts support existing state Medicaid Fraud Control Units. Federal Medicaid Integrity Contractors ("*MICs*") are classified into Review MICs, Audit MICs and Educational MICs. Review MICs perform review audits generally to determine trends and patterns of aberrant Medicaid billing practices through data mining. Audit MICs perform post-payment reviews of individual providers through desk and field audits. The Educational MICs are responsible for developing and carrying out a variety of education activities to increase and improve Medicaid enforcement efforts by state government. Once a Medicaid overpayment is identified, the state has one year to recover or attempt to recover the overpayment from the provider before adjustment is made in the federal payment to the state on account of such overpayment; *provided*, *however*, in the case of fraud, if the state is unable to recover the overpayment from the provider within the one year period because there has not been a final determination of the amount of the overpayment under an administrative or judicial process (as applicable), including as a result of judgment being under appeal, no adjustment shall be made in the federal payment to the state before the date that is 30 days after the final judgment is made.

Medicare and Medicaid audits may result in reduced reimbursement or repayment obligations related to past alleged overpayments and may also delay Medicare or Medicaid payments to providers pending resolution of the appeals process. The ACA explicitly gives DHHS the authority to suspend Medicare and Medicaid payments to a provider or supplier during a pending investigation of fraud. The ACA also amended certain provisions of the FCA (as defined below) to include retention of overpayments as a false claim. A provider or supplier must report and return an overpayment by the later of 60 days after the overpayment was identified, or the date the corresponding cost report is due, if applicable. The provider or supplier is also required to describe in writing the reason for the overpayment. Overpayments must be reported and returned only if a provider or supplier identifies the overpayment within six years of the date the overpayment was received.

RAC Audits

CMS has implemented a Recovery Audit Contractor ("*RAC*") program on a nationwide basis pursuant to which CMS contracts with private contractors to conduct pre- and post-payment reviews to detect and correct improper payments in the fee-for-service Medicare program. The RACs use their own software and independent knowledge of Medicare to determine areas to review. Once a RAC identifies a potentially improper claim as a result of an audit, it makes an assessment from the provider's Medicare reimbursement in an amount estimated to equal the overpayment from the provider pending resolution of the audit. The ACA expanded the RAC program's scope to include managed Medicare plans and Medicaid claims. CMS also employs contractors to perform post-payment audits of Medicaid claims and identify overpayments. These programs tend to result in retroactively reduced payment and higher administration costs to hospitals.

Exclusions from Medicare or Medicaid Participation

The government must exclude from Medicare/Medicaid program participation a health care provider that is 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, 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. The government also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud 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 from the Medicare/Medicaid program means that a health care provider would be decertified and no program payments can be made. Any exclusion of MVHS or any other Member of the Obligated Group could be a materially adverse event.

Review of Outlier Payments

In certain cases where patient costs are extraordinarily high, Medicare-participating hospitals may be eligible to receive additional payments. In order to receive an "outlier" payment, costs must exceed a fixed-loss cost threshold amount. The OIG has reviewed Medicare contractor reviews of outlier payments and issued multiple reports regarding outlier payment reconciliation, most recently in September 2017. OIG recommended that CMS ensure Medicare contractors are continuing to take corrective actions previously recommended by the OIG, such as collecting overpayments and returning funds to either Medicare or hospitals; determining whether any cost reports that exceeded the three-year reopening limit may be reopened as a result of hospital fault or fraud; and ensuring Medicare contractors review all cost reports submitted following earlier OIG audit periods and ensure that hospitals whose outlier payments qualified for reconciliation are correctly identified, referred, and reconciled. CMS is reviewing health care providers that are receiving large proportions of their Medicare revenues from outlier payments. Health care providers found to have obtained inappropriately high outlier payments will be subject to further investigation by the CMS Program Integrity Unit and potentially the OIG.

Patient Records and Confidentiality

HIPAA, as amended by the HITECH Act (defined and discussed below), protects the privacy and security of individually identifiable health information through regulations on Standards for Privacy of Individually Identifiable Health Information (the "*Privacy Rule*"), Security Standards for the Protection of Electronic Protected Health Information (the "*Security Rule*"), Standards for Notification in the Case of Breach of Unsecured Protected Health Information (the "*Breach Notification Rule*"), and Rules for Compliance and Investigations, Impositions of Civil Monetary Penalties, and Procedures for Hearings

(the "*Enforcement Rule*"), (the Privacy Rule, the Security Rule, the Breach Notification Rule and the Enforcement Rule are collectively referred to as the "*HIPAA Rules*").

The HIPAA Rules, developed through successive waves of the administrative rulemaking process, are extensive and complex. Violations of HIPAA can result in civil monetary penalties and criminal penalties. Provisions of the Health Information Technology for Economic and Clinical Health Act (the "*HITECH Act*") amend HIPAA by (i) increasing the maximum civil monetary penalties for violations of HIPAA, (ii) granting limited enforcement authority of HIPAA to state attorneys general, (iii) extending the reach of HIPAA beyond "covered entities," to include "business associates" of covered entities, (iv) imposing a breach notification requirement on HIPAA covered entities and business associates, (v) limiting certain uses and disclosures of individually identifiable health information, (vi) restricting covered entities' marketing communications, and (vii) permitting the imposition of civil monetary penalties for a HIPAA violation even if an entity did not know and would not, by exercising reasonable diligence, have known of a violation. Civil monetary penalties for violations of HIPAA now range to a maximum $57,051 per violation and/or imprisonment, depending on the violator's degree of intent and the extent of the harm resulting from the violation. The maximum civil monetary penalty for violations of the same HIPAA provision in a calendar year cannot exceed $1.71 million. A state attorney general may bring civil action to protect the interests of one or more residents of the state who has been or is threatened or adversely affected by any person who violates HIPAA. A state attorney general may enjoin further violations by a defendant or obtain damages up to $25,000, in addition to an award of attorney fees. The HITECH Act also requires the DHHS Office for Civil Rights ("*OCR*") to conduct periodic audits of covered entity and business associate compliance with the HIPAA Rules.

The Breach Notification Rule requires the notification of each individual whose unsecured protected health information has been, or is reasonably believed to have been accessed, acquired, used, or disclosed as a result of such breach. If a breach involves more than 500 residents prominent media outlets must be notified. In addition, the Secretary of DHHS must be notified promptly following the discovery of a breach involving 500 or more individuals and annually for breaches involving fewer than 500 individuals. The reporting of such breaches may lead to an investigation by OCR during which OCR could discover other HIPAA violations that may result in fines or other penalties.

In recent years, OCR has enhanced its enforcement efforts that include civil monetary penalties and settlement agreements with some related payments reaching into the multimillion dollar range. Further, OCR is initiating an auditing process to evaluate compliance with HIPAA. It is expected that the audits will expose many health care providers and their vendors to enforcement actions under HIPAA.

Security Breaches and Unauthorized Releases of Personal Information

Federal, state and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. In addition to the data breach disclosure requirements of HIPAA, many states have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a health care provider's reputation and materially adversely affect business operations.

Civil and Criminal Fraud and Abuse Laws and Enforcement

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

False Claims Act

The federal False Claims Act (the "*FCA*") makes it illegal to knowingly submit or present a false, fictitious or fraudulent claim to the federal government (e.g., the Medicare or Medicaid programs) for payment or approval for payment for which the federal government provides, or reimburses at least some portion of the requested money or property. Because the term "knowingly" is defined broadly under the law to include not only actual knowledge but also deliberate ignorance or reckless disregard of the facts, the FCA can be used to punish a wide range of conduct. The ACA amended the FCA by expanding the number of activities that are subject to civil monetary penalties to include, among other things, failure to report and return known overpayments within statutory limits. FCA investigations and cases have become common in the health care field and may cover a range of activity from submission of intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. The FCA provides for potentially severe penalties. In June 2016, the DOJ issued a rule that more than doubled civil monetary penalties under the FCA. These increases took effect on August 1, 2016 and apply to FCA violations after November 2, 2015. The penalty amounts are adjusted no later than January 15 of each year to reflect changes in the inflation rate. As of the date of this Official Statement, any person who acts in violation of the FCA is liable for a civil penalty ranging from $11,463 to $22,927 per claim, plus three times the amount of damages sustained by the government. As a result, violation or alleged violation of the FCA frequently results in settlements that require multi-million dollar payments and costly corporate integrity agreements.

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

In June 2016, the United States Supreme Court announced its decision in *Universal Health Services, Inc. v. United States ex rel. Escobar*, No. 15-7 (I.S. June 16, 2016). Prior to *Escobar*, lower

courts had split on the issue of whether the FCA extended to so-called "implied certification" of compliance with laws, and whether such compliance was limited to express conditions of payment or extended to conditions of participation. The United States Supreme Court affirmed the theory of "implied certification" and rejected the distinction between conditions of payment and conditions of participation for these purposes, ruling that the relevant inquiry is whether the alleged noncompliance, if known to the government, would have in fact been material to the government's determination as to whether to pay the claim. There is considerable uncertainty as to the application of the *Escobar* holding, but depending on how it is interpreted by the lower courts, it could result in an expanded scope of potential FCA liability for noncompliance with applicable laws, regulations and subregulatory guidance.

Under the ACA, the FCA has been expanded to include overpayments that are discovered by a health care provider and are not promptly refunded to the applicable federal health care program, even if the claims relating to the overpayment were initially submitted without any knowledge that they were false. The 2016 Medicare Overpayments Final Rule, which took effect on March 14, 2016, requires that providers report and return identified overpayments by the later of 60 days after identification, or the date the corresponding cost report is due, if applicable. If the overpayment is not so reported and returned, it becomes an "obligation" under the FCA. This expansion of the FCA exposes hospitals and other health care providers to liability under the FCA for a considerably broader range of claims than in the past. CMS clarified that the 60-day timeframe for report and return begins when either reasonable diligence is completed (including determination of the overpayment amount) or on the day the person received credible information of a potential overpayment (if the person failed to conduct reasonable diligence and the person in fact received an overpayment). Failure to report and return overpayments as described herein may result in false claims liability. That same final rule also established a six-year lookback period, meaning overpayments must be reported and returned only if a person identifies the overpayment within six years of the date the overpayment was received.

Medicare/Medicaid Anti-Kickback Laws

The federal "Anti-Kickback Law" is a criminal statute that prohibits anyone from soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral of a patient (or to induce a referral) or the ordering or recommending of the purchase (or lease) of any item or service that is paid by any federal or state health care program. The Anti-Kickback Law applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, medical director agreements, physician recruitment agreements, physician office leases and other transactions. The ACA amended the Anti-Kickback Law to provide explicitly that a claim that includes items or services resulting from a violation of the Anti-Kickback Law constitutes a false or fraudulent claim for purposes of the FCA. Another amendment provides that an Anti-Kickback Law violation may be established without showing that an individual knew of the statute's proscriptions or acted with specific intent to violate the Anti-Kickback Law, but only that the conduct was generally unlawful. The new standards could significantly expand criminal and civil fraud exposure for transactions and arrangements where there is no intent to violate the Anti-Kickback Law.

The Anti-Kickback Law can be prosecuted either criminally or civilly. If the government proceeds criminally, a violation of the Anti-Kickback Law is a felony and may be punished by a criminal fine of up to $100,000 for each violation or imprisonment, however, under 18 U.S.C. Section 3571, this fine may be increased to $250,000 for individuals and $500,000 for organizations. Civil money penalties may include fines of up to $100,000 per violation and damages of up to three times the total amount of the remuneration and/or exclusion from participation in Medicare and Medicaid.

Increasingly, the federal government and qui tam relators are prosecuting violations of the Anti-Kickback Law under the FCA, based on the argument that claims resulting from an illegal kickback arrangement are also false claims for FCA purposes. Any claims for items or services that violate the federal Anti-Kickback Statute are also considered false claims for purposes of the FCA. *See* the discussion under the subheading "False Claims Act" above.

Courts have interpreted this law broadly and held that the Anti-Kickback Law is violated if just one purpose of the remuneration is to generate or induce referrals, even if there are other lawful purposes. Federal regulations describe certain arrangements (i.e., safe harbors) that are exempt from prosecution under the federal Anti-Kickback Law. Because the law is broadly applied and safe harbors are narrowly drawn, there can be no assurance that MVHS or any other Member of the Obligated Group will not be found in violation of the federal Anti-Kickback Law in the future. The IRS has taken the position that hospitals that are in violation of the Anti-Kickback Law may also be subject to revocation of their tax-exempt status.

Medicare/Medicaid Anti-Referral Laws

The Ethics in Patient Referrals Act of 1989, as amended in the Omnibus Budget Reconciliation Act of 1993 and as subsequently amended (collectively, the "*Stark Law*"), prohibits the referral of Medicare patients for certain designated health services (including inpatient and outpatient hospital services, clinical laboratory services, and radiology and other imaging services) to entities with which the referring physician (or an immediate family member) has a financial relationship unless that relationship fits within an exception to the Stark Law. It also prohibits a hospital, or other provider, furnishing the designated health services from billing Medicare, or any other government health care program for services performed pursuant to a prohibited referral. The government does not need to prove that the entity knew that the referral was prohibited to establish a Stark Law violation. If certain substantive and technical requirements of an applicable exception are not satisfied, an ordinary business arrangement or contract between hospitals and physicians can violate the Stark Law, thus triggering the prohibition on referrals and billing. All providers of designated health services with physician relationships have some exposure to liability under the Stark Law.

Penalties for violation of the Stark Law include denial of payment, recoupment, refunds of amounts paid in violation of the law, exclusion from the Medicare or Medicaid program, and substantial civil monetary penalties. Violation of the Stark Law may also provide the basis for a claim under the FCA.

Medicare may deny payment for all services performed by a provider based on a prohibited referral, and a hospital that has billed for prohibited services is obligated to refund the amounts collected from the Medicare program or to make a voluntary self-disclosure to CMS under its Self-Referral Disclosure Protocol (discussed below). As a result, even relatively minor, technical violations of the Stark Law may trigger substantial refund obligations. Moreover, where there are "knowing" violations of the Stark Law, the government may seek substantial civil monetary penalties under FCA, and in some cases, a hospital may be excluded from the Medicare and Medicaid programs. Potential repayments to CMS, settlements, fines or exclusion for a Stark Law violation or alleged violation could have a material adverse effect on a hospital and other health care providers. Increasingly, the federal government is prosecuting Stark Law violations under the FCA, based on the argument that claims resulting from an illegal referral arrangement are also false claims for FCA purposes. See the discussion under the subheading "False Claims Act" above. The DOJ and others have asserted that Medicaid referrals in which a non-excepted financial arrangement exists under the Stark Law also create FCA exposure, and have had some success with these arguments in certain courts. CMS has established a voluntary Self- Referral Disclosure Protocol under which hospitals and other entities may report Stark Law violations and seek a

reduction in potential refund obligations. The Members of the Obligated Group may make self-disclosures under this program as appropriate from time to time. Any submission pursuant to the self-disclosure program does not waive or limit the ability of the OIG or DOJ to seek or prosecute violations of the Anti-Kickback Law or impose civil monetary penalties.

State "Fraud" and "False Claims" Laws

Hospital providers in New York are subject to a variety of state laws related to false claims (similar to the FCA or that are generally applicable false claims laws), anti-kickback (similar to the federal Anti-Kickback Law or that are generally applicable anti-kickback or fraud laws), and physician referral (similar to the Stark statute). *See* "Additional State Regulation" below. In some cases, the state statutes are broader or carry larger fines than corresponding federal law. These prohibitions, while similar in public policy and scope to the federal laws, have not in all instances been avidly enforced to date. However, in the future they could pose the possibility of material adverse impact for the same reasons as the federal statutes.

EMTALA

The Emergency Medical Treatment and Labor Act ("*EMTALA*") is a federal civil statute that requires Medicare-participating hospitals with an emergency department to conduct a medical screening examination to determine the presence or absence of an emergency medical condition and to provide treatment sufficient to stabilize such emergency medical condition before discharging or transferring the patient. A hospital that violates EMTALA is subject to civil penalties of up to $106,965 per offense and termination of its Medicare provider agreement. EMTALA also provides for a limited private right of action against hospitals, and as a result a hospital could be subject to claims for personal injury where an individual suffers harm as result of an EMTALA violation.

Over the last few years, the federal government has increased its enforcement of EMTALA. Failure to comply with the law can result in exclusion from the Medicare and/or Medicaid programs, as well as civil and criminal penalties. In addition, a hospital may be held liable to a patient who suffered injuries as a result of a violation of EMTALA and may be liable to the receiving hospital for financial losses suffered as a result of a transfer in violation of EMTALA. Substantial failure of MVHS or any other Member of the Obligated Group to meet its responsibilities under EMTALA could materially adversely affect the financial condition of the Obligated Group. Outpatient facilities that are included as part of a hospital by virtue of a provider-based status designation are required to adhere to EMTALA's requirements, regardless of whether they are located on or away from the hospital's main campus.

Any sanctions imposed as a result of an EMTALA violation could have a material adverse effect on the operations or financial condition of the Obligated Group.

Administrative Enforcement

Administrative regulations may require less proof of a violation than do criminal laws and thus, health care providers may have a higher risk of imposition of monetary penalties as a result of an administrative enforcement action.

Enforcement Activity

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

hospitals and physician groups will be subject to an audit, investigation or other enforcement action regarding the health care fraud laws mentioned above.

Enforcement actions may pertain to not only deliberate violations, but also frequently relate to violations resulting from actions of which management is unaware, from mistakes or from circumstances where the individual participants do not know that their conduct is in violation of law. Enforcement actions may extend to conduct that occurred in the past. The government may seek a wide array of penalties, including withholding essential payments under the Medicare or Medicaid programs or exclusion from those programs.

Enforcement authorities are often in a position to compel settlements by providers charged with or being investigated for false claims violations by withholding or threatening to withhold Medicare, Medicaid and/or similar payments and/or by instituting criminal action. In addition, the cost of defending such an action, the time and management attention consumed, and the facts of a case may dictate settlement. Therefore, regardless of the merits of a particular case, a hospital could experience materially adverse settlement costs, as well as materially adverse costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation and business of a hospital, regardless of outcome.

Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described below and therefore, penalties or settlement amounts often are compounded. Generally, these risks are not covered by insurance. Enforcement actions may involve multiple hospitals in a health system, as the government often extends enforcement actions regarding health care fraud to other hospitals in the same organization. Therefore, Medicare fraud related risks identified as being materially adverse as to a hospital could have materially adverse consequences to a health system taken as a whole.

Increased Enforcement Affecting Academic Research

In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also stepped up enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS elevated and strengthened its Office for Human Research Protections, one of the agencies with the responsibility for monitoring federally funded research. The Food and Drug Administration ("*FDA*") also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. These agencies' enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs.

Additional State Regulation

General

The ACA imposes significant obligations on states related to health care insurance. Prior to the passage of the ACA, many states increased regulations related to the managed care industry. State legislatures cited their right and obligation to regulate and oversee health care insurance and enacted sweeping measures that aimed to protect consumers and, in some cases, providers. For example, a number of states enacted laws mandating a minimum of 48-hour hospital stays for women after delivery; laws prohibiting "gag clauses" (contract provisions that prohibit providers from discussing various issues with their patients); laws defining "emergencies," which provide that a health care plan may not deny coverage for an emergency room visit if a lay person would perceive the situation as an emergency; and laws requiring direct access to obstetrician-gynecologists without the requirement of a referral from a

primary care physician. It is unclear how the increased federal oversight of state health care may affect the probability of future increased state oversight or impact the Obligated Group.

Due to this increased oversight, the Obligated Group could become subject to a variety of state health care laws and regulations affecting health care providers. In addition, the Obligated Group could be subject to other state laws and regulations.

Health Insurance Exchanges

The ACA imposes over time increased regulation of the industry, the use and availability of state-based exchanges in which health insurance can be purchased by certain groups and segments of the population, the extension of subsidies and tax credits for premium payments by some consumers and employers and the imposition upon commercial insurers of certain terms and conditions that must be included in contracts with providers. In addition, the ACA imposes many new obligations on states related to health care insurance. Additionally, states are also increasingly seeking to regulate the delivery of health care services, including in the managed care industry. The effects of these changes could have a negative effect on the financial condition of any third-party payor that offers health care insurance, which could, in turn, lead to reduced rates paid by third-party payors to providers such as the Members of the Obligated Group.

New York has established a state-run Health Insurance Exchange (an "Exchange") to satisfy requirements of the ACA (called "New York State of Health"). The goals of an Exchange include reducing the number of residents without health insurance in the state and helping individuals and small employers obtain health insurance by, among other things, offering easily comparable and understandable information about health insurance options. Pursuant to the ACA, an Exchange must make qualified health plans (plans meeting certain coverage and cost requirements) available to qualified individuals and employers. The New York Exchange commenced offering health insurance plans in October 2013 for the plan year starting on January 1, 2014. Although enrollment through this Exchange is increasing, given its relatively short operating history the precise effect on the Members of the Obligated Group of the existence of the Exchange is difficult to predict.

State Anti-Referral Laws

A number of states have passed statutes that are similar to the Stark Law, although the scope of the entities, individuals and services covered by such statutes vary by state. New York has laws prohibiting health care providers from referring patients to any entity in which the provider is an investor. Violations of these laws can subject health care providers to a range of penalties.

Certificate of Need Laws

Many states, including the State of New York, have Certificate of Need ("CON") laws which controls various types of activities which involve, and expenditures which relate to, the provision of health care services. The general purpose of CON laws is to prevent unnecessary duplication of expensive health care services in an effort to contain health care costs and to ensure access to health care services which otherwise might not be available. Failure to obtain necessary state CON approval can result in the inability to expand facilities, add services, acquire a facility or change ownership. Violation of such laws may result in the imposition of civil sanctions or the revocation of a facility's license. A health care provider cannot predict whether it will be able to obtain approval for any health care services regulated by a state CON process which may be necessary or desirable to compete in its service area. From time to time, state legislatures consider eliminating CON programs. If a state CON program is phased-out or eliminated, health care providers such as the Obligated Group Members, could face increased competition from other providers.

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PART III

APPENDIX A

INFORMATION RELATING TO MOHAWK VALLEY HEALTH SYSTEM

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APPENDIX A
CERTAIN INFORMATION CONCERNING

MOHAWK VALLEY HEALTH SYSTEM

All information in this Appendix A has been provided by Mohawk Valley Health System unless otherwise noted. This Appendix A includes "forward looking statements;" please see "REGARDING USE OF THIS OFFICIAL STATEMENT – CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT" concerning such statements in the forepart of this Official Statement.

Each capitalized word or term used as a defined term but not otherwise defined in this Appendix A has the meaning assigned to it in the forepart of this Official Statement.

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INTRODUCTION

Mohawk Valley Health System ("MVHS" or "the System") is a fully integrated healthcare system that serves the residents of Utica, New York and parts of the surrounding counties including Oneida, Herkimer, and Madison. The 2018 total population of MVHS's service area was estimated at 388,652. In 2018, MVHS had over 22,600 inpatient admissions, over 80,000 total emergency department ("ED") visits, and over 295,700 other outpatient visits. The System includes two acute care hospitals on three campuses with 571 licensed beds, 20 primary care offices, 11 specialty offices, seven dialysis locations, one long-term care facility, one home care agency, an ambulatory surgery center joint venture, counseling services, social services, inpatient and outpatient substance abuse addiction management services, and a Medicaid managed care health plan. The System has 30 locations across Oneida, Herkimer and Madison Counties, where it maintains a leading market share and is the region's largest provider of healthcare services. The System captures approximately 65% of the inpatient market in its primary service area. The System employs more than 4,100 full-time equivalent employees and has a medical staff of 419 physicians.

ORGANIZATION

MVHS is a not-for-profit healthcare system, providing care to the residents of Central New York. The System is organized as an active parent model with much of the management responsibilities performed by the parent, MVHS. Each hospital within the System, Faxton St. Luke's Healthcare ("FSLH") and St. Elizabeth Medical Center ("SEMC"), retains its own corporate existence but is governed by the same Board of Directors with the exception of SEMC that has one additional member appointed by Partners in Franciscan Ministries, Inc. ("PFM"). The Board of Directors operates in a joint model to ensure consistency across the organization.

MVHS and its predecessors have been providing medical care to the residents of Utica and the surrounding communities for approximately 190 years. The formation of MVHS is one that evolved over many decades and has a rich history of affiliation and collaboration among healthcare facilities within the Utica community. MVHS was created in March 2014, through the affiliation of SEMC and the former Mohawk Valley Network ("MVN"), which included the affiliates of FSLH, St. Luke's Home, Senior Network Health and Visiting Nurses Association of Utica.

Faxton St. Luke's Healthcare – 370 Licensed Beds

FSLH began as two hospitals, Faxton Hospital and St. Luke's Memorial Hospital Center. These two hospitals affiliated in 1992 under the MVN umbrella and consolidated all services in 2000 under one organization. FSLH currently maintains two separate campuses in Utica, New York: FSLH – St. Luke's Division ("St. Luke's") and FSLH – Faxton Division ("Faxton").

FSLH – St. Luke's Division

St. Luke's originally opened its doors in 1872 and moved to its current location in 1957. St. Luke's ED provides 24-hour emergency care with nearly 41,000 visits annually. Comprehensive medical and surgical specialties at St. Luke's include coronary care, pediatrics, psychiatry, maternity, neonatal care and general surgical services. St Luke's is currently designated by the New York State Department of Health as a Level II Perinatal Center and a Stroke Center.

Included within the 370 beds of FSLH is a 24-bed inpatient rehabilitation unit that is located within the MVHS Rehabilitation and Nursing Center on the St. Luke's Campus.

FSLH – Faxton Division

Faxton has maintained a presence at its current location since 1873. Following the merger with St. Luke's, the Faxton campus was transitioned to an outpatient facility. In addition to the outpatient services provided at Faxton, the site also houses the regional cancer center and an urgent care center. Faxton also services as the System's primary site for outpatient imaging services and outpatient dialysis.

St. Elizabeth Medical Center – 201 Licensed Beds

SEMC was established in 1866 by the Sisters of St. Francis. Since its inception, SEMC has moved three times with the present location having opened in 1917.

MVHS and PFM are currently co-members of SEMC. PFM is sponsored by the Sisters of St. Francis of the Neumann Communities and has reserved powers related to the mission of SEMC only. PFM does not provide any financial support or guarantees to SEMC or the Obligated Group and will not be obligated to make any debt service payment with respect to the Series 2019 Bonds.

SEMC's ED provides 24-hour emergency care with nearly 39,000 visits annually. Comprehensive medical and surgical specialties at SEMC include cardiology, orthopedics, pediatrics, psychiatry and general surgical services. SEMC is currently designated by the New York State Department of Health as a Level III Adult Trauma Center.

SEMC's cardiac program includes adult open heart surgery, diagnostic cardiac catheterization, interventional cardiology (Angioplasty) and Electrophysiology.

In addition to the two acute care hospitals, MVHS is also the active parent and co-operator of the following:

- *St. Luke's Home Residential Healthcare Facility, Inc. d/b/a MVHS Rehabilitation and Nursing Center ("MVHS RNC")* – MVHS RNC is a 202-bed residential home with a 40-bed subacute rehabilitation unit located on the St. Luke's campus;
- *Senior Network Health, LLC ("SNH")* – SNH is a Medicaid managed care health plan that provides and arranges for health and long-term care services on a capitated basis (with New York State) for residents located in Oneida and Herkimer counties. It is a program designed to maintain the health and safety of MVHS's adult population as well as to delay, and if possible avoid, the need for nursing home placement. Through a collaboration with community agencies, SNH develops individualized care plans for each member that strives to provide the optimal setting for a healthy and safe environment in one's own home;
- *Visiting Nursing Association of Utica and Oneida County, Inc. ("VNA")* –VNA was founded in 1915 and provides healthcare through professional nurses, therapists and aides primarily in Oneida County. VNA is a certified home health agency in New York State and is licensed to sponsor a long-term home healthcare program; and
- *Mohawk Valley Health System Foundation ("MVHS Foundation")* – MVHS Foundation is a not-for-profit, tax-exempt corporation that carries out fundraising activities which benefit MVHS and its affiliates.

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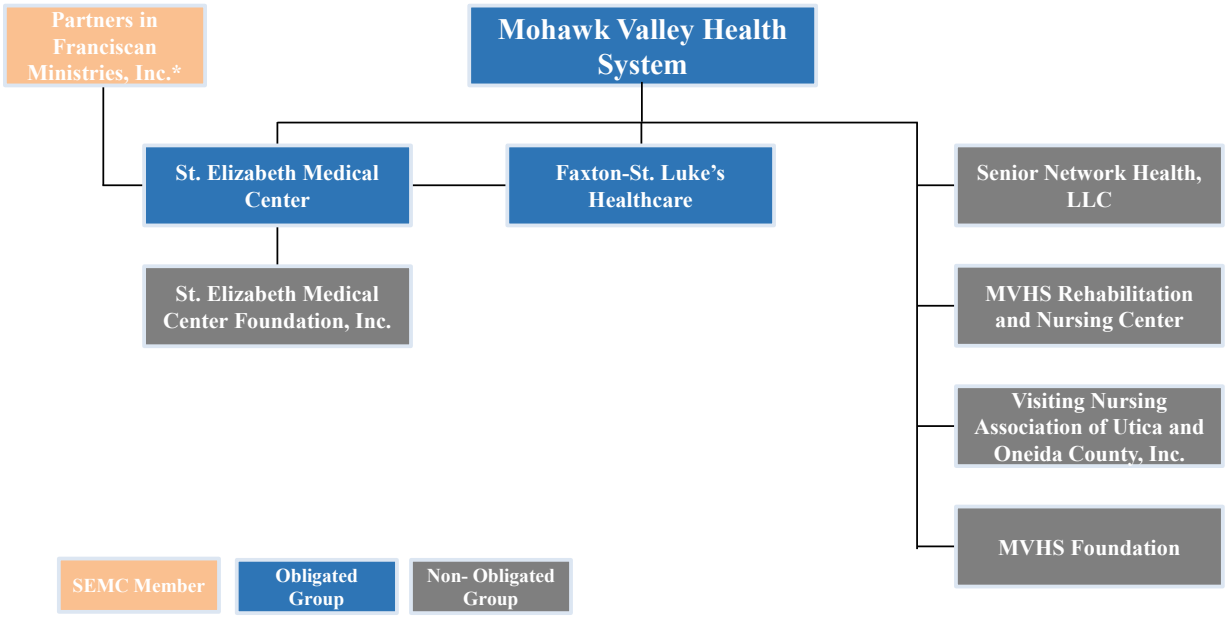
Organizational Structure

The table below sets forth the corporate membership of MVHS and certain of its consolidated affiliates, as well as the composition of the Obligated Group.



*Partners in Franciscan Ministries, Inc., which is sponsored by the Sisters of St. Francis of the Neumann Communities, is a co-member of SEMC with MVHS.

Obligated Group

The existing MVHS Obligated Group consists of MVHS, FSLH, and SEMC. The Obligated Group will represent approximately 92.3% of the assets of the System and 94.4% of its operating revenue.

No affiliate of MVHS, other than the current Members of the Obligated Group, will be obligated for amounts due under the Series 2019 Bonds, which are being secured on parity under the Master Indenture with other existing debt of the Obligated Group.

Licensure and Accreditation

FSLH and SEMC are accredited and deemed to be in compliance with the Medicare Conditions of Participation for Hospitals through July and August, 2020, respectively. Both hospitals are accredited by DNV GL – Healthcare, which conducts an annual survey for reaccreditation.

The System's hospitals and long-term care facilities are also fully licensed and regulated by the New York State Department of Health.

Awards and Honors

MVHS and its individual hospitals have received numerous awards and honors for quality, safety, and innovation.

SEMC was recognized among U.S. News & World Report's Best Hospitals for 2019 as a high performing hospital for Heart Failure, COPD, Knee Replacement and Hip Replacement.

FSLH received the Excellence in Labor and Delivery Award for the superior care of women during and after childbirth from Healthgrades. FSLH was one of only 16 hospitals in New York State to receive this award and the only one in Central New York.

Other MVHS awards and distinctions are highlighted below:

- *Cancer Services*. The FSLH Cancer Center operates in partnership with Upstate Cancer Center and has been nationally accredited by the Commission on Cancer since September 1991 and was reaccredited in 2019 for three years.

- *Cardiac Services*. SEMC is recognized as one of the first hospitals in the nation to receive a Blue Distinction Center+SM designation in the area of cardiac care, as part of the Blue Distinction Centers for Specialty Care® program through Excellus BlueCross BlueShield. SEMC also received the highest ratings possible in quality and cost efficiency from the United Health Premium Cardiac Services Specialty Center.

- *Orthopedic Program*. In May 2019, SEMC has achieved accreditation as a Center of Excellence in Orthopedic Surgery by Surgical Review Corporation. SEMC was selected by Excellus BlueCross BlueShield as a Blue Distinction Center+ for Knee and Hip Replacement, part of the Blue Distinction Specialty Care program, which will go into effect on January 1, 2020.

- *Stroke Program*. In July 2019, the FSLH Stroke Center received the ninth consecutive American Heart Association/American Stroke Association's (AHA/ASA) Get With The Guidelines®-Stroke Gold Plus Quality Achievement Award with Target: StrokeSM Honor Roll Elite Plus. The Gold Plus and Target: Stroke Honor Roll awards are the highest award status given, making MVHS one of the top stroke centers in the United States.

- *Bariatric Surgery*. The FSLH Bariatric Surgery Program has been reaccredited as a Comprehensive Center under the Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program, a joint program of the American College of Surgeons and the American Society for Metabolic and Bariatric Surgery. The program has also been recognized by Excellus BlueCross BlueShield as Blue Distinction® Center+ for Bariatric Surgery.

- *Maternal Child Services*. Maternal Child Services at FSLH welcomes more than 2,000 newborns into the world every year and has the only Level II Special Care Nursery in the Mohawk Valley. In 2019, FSLH received an award for Excellence in Labor and Delivery from Healthgrades.

- *Trauma*. SEMC was re-verified as a Level III Trauma Center by the American College of Surgeons in June 2019.

Medical Education

MVHS offers a wide selection of medical education opportunities for all levels of students through the St. Elizabeth College of Nursing, Family Medicine Residency and Dental Residency Programs. Other education opportunities for Nurse Practitioners, Physician Assistants and other Allied Health professionals are also offered within the System. The New Regional Medical Center (as defined herein) initiative, will focus on expanding these programs to meet the regional need for care in the Mohawk Valley.

SEMC's College of Nursing was established in 1904. The College of Nursing is a two year Associate Degree Nursing program affiliated with the State University of New York Institute of Technology. The nursing courses include hands on patient care that is planned and supervised by a qualified faculty member with expertise in a particular nursing area. The College of Nursing is accredited by the Accreditation Commission for Education in Nursing, Middle States Commission on Higher Education and the New York State Department of Education. Since its inception, the College of Nursing has graduated approximately 3,861 individuals.

St. Elizabeth Family Medicine Residency Program has a history of providing family medicine graduate medical education that spans more than three decades. It has earned the designation of being a New York State Priority Program due to the emphasis placed on primary care education. It is accredited through both the Accreditation Council for Graduate Medical Education and through the American Osteopathic Association. The curriculum is designed to emphasize both longitudinal and rotational exposure to continuity of care across various healthcare settings. As the Family Medicine Center is located only blocks from the Refugee Resettlement Center in Utica, New York, residents experience a wide array of cultural backgrounds and medical conditions.

The Dental Residency Program at FSLH is a one-year post-doctoral professional education program which offers special opportunity for advanced comprehensive clinical experiences in the hospital setting, additional training in the sciences basic to general dental practice, and a supervised clinical dentistry program. Five dental residents are accepted into the dental program each year.

MVHS also offers fellowship programs in Gynecological Surgery and Hospitalist Medicine, and MVHS's hospitals and outpatient locations are used to train students in allied health programs from local colleges. MVHS, along with community partners, also offers programs to high school students to acquaint them with healthcare careers.

As part of the New Regional Medical Center, MVHS is currently seeking a partner which will help to expand the medical residency programs to meet regional medical needs. Primary care, psychiatry, obstetrics/gynecology, emergency medicine, general surgery and podiatry are the focus of the expanded graduate medical education program.

MVHS GOVERNANCE AND CORPORATE STRUCTURE

Governance

MVHS is governed by a Board of Directors (the "Board"), composed of 16 elected members of the Board (the "Elected Directors") as well as the President and Chief Executive Officer of MVHS, who serves coterminous with his/her position, and the President of the Medical Staffs of SEMC and FSLH (the "Non-Elected Directors" and together with the "Elected Directors" the "Directors"), coterminous with holding their respective positions. Elected Directors are selected for their experience, expertise and skills; their ability and willingness to devote time and effort to fulfilling the Board's responsibilities; their commitment to the community and healthcare needs of its residents; and their personal and professional ethical values. The Board is divided into four equal "classes" and a new class is elected annually to a four (4)-year term expiring in successive years; Directors serve without compensation. The Board seeks to exhibit diverse backgrounds, including banking, investment management, healthcare, accounting, technology and community business leaders, among other groups. Extensive ties to the community provide the Board with a particularly keen insight into the needs of the communities the System serves.

The Board, which is required to hold at least nine regular meetings annually, is responsible for governing the affairs of the System, establishing policies, assuring quality patient care, and providing for institutional management and planning. Directors are chosen based on their ability to participate and be effective in fulfilling the Board's responsibilities and supporting the objectives of the System. The Officers of the Board are (a) Chairperson, (b) Vice Chairperson, (c) Chair Emeritus, (d) Secretary, (e) Treasurer and (f) President. The President and Chief Executive Officer of MVHS is appointed by the Board and, by virtue of the position, is a voting member of the Board as long as he/she holds that office.

There are seven (7) Standing Committees of the MVHS Board: Executive Committee, Finance Committee, Quality and Patient Safety Committee, Governance Affairs and Ethics Committee, Executive Compensation Committee, Investment Committee and Audit and Compliance Committee. The Executive Committee is able to transact any regular business of the Board during the period between meetings of the Board, subject to any prior limitation imposed by the Board, and with the understanding that all actions taken will be reported to the Board.

The current members of the Board are as follows:

BOARD MEMBERS

Member	Occupation	Initial Appointment	Term Expiration
Domenic Aiello, MD	Physician - Private Practice	March 2014	December 2023
Waleed Albert, MD	Physician, Mohawk Valley Health System, FSLH Medical Staff President		Ex-Officio
Barbara Brodock	Owner, Brodock Press	March 2014	December 2023
Catherine Brownell, PhD	Chair and Professor of Nursing, Leymone College	January 2018	December 2021
Larry Bull	Owner, Bull Brothers	June 2016	December 2023
Catherine Cominsky	Manager, Cathedral Corporation	March 2014	December 2021
Joan Compson [5]	Retired - Chief Financial Officer, Carbone Auto Group	March 2014	December 2020
Alicia DeTraglia, MD [3]	Physician, Mohawk Valley Health System	January 2018	December 2020
Robert Dicks [6]	President, Dicks Financial Services and Insurance		
Gregory Evans [2]	President/CEO, Indium Corporation of America	March 2014	December 2022
Sushma Kaul, MD	Physician - SEMC Medical Staff President		Ex-Officio
Andrew Kowalczyk III, Esq.	Attorney - Private Practice	March 2014	December 2020
Karen Leach	Vice President, Administration and Finance, Hamilton College	February 2018	December 2023
Gregory McLean	President, Caruso McLean & Co, Investment Advisors	March 2014	December 2021
Darlene Stromstad	President & CEO Mohawk Valley Health System		Ex-Officio
Honorable Norman Siegel [5]	Retired - New York State Supreme Court Judge	March 2014	December 2020
Richard Tantillo	Senior Philanthropic Advisor, Hamilton College	March 2014	December 2022
Symeon Tsoupelis	Owner, Symeon's Restaurant	March 2014	December 2021
Bonnie Woods [1]	Managing Director, Bank of America	March 2014	December 2022
Richard Zweifel [4]	Partner, The Bonadio Group, CPAs	March 2014	December 2022

[1] Chair
[2] Vice-Chair
[3] Secretary
[4] Treasurer
[5] Chair Emeritus
[6] St. Elizabeth Medical Center Board

Conflicts of Interest Policy

MVHS adheres to a formal conflict of interest policy requiring that any Director, Officer or Key Person of the health system with respect to any transaction or arrangement involving MVHS and its member organizations exercise the utmost good faith, care and diligence in all transactions involving MVHS. This policy also requires that Directors will not use their positions or knowledge gained there from in any transaction or activity, nor shall they engage in any activities which might involve interests in conflict with those of MVHS or its affiliates. This policy also requires an affirmative duty to disclose immediately to the Directors, the President of MVHS or the Corporate Compliance Officer of MVHS, all knowledge of situations involving potential or actual conflicts of interests.

The Board or its authorized committee is responsible for overseeing the implementation of and compliance with this conflicts of interest policy. The Directors are required annually to review the aforementioned conflict of interest policy and file a statement indicating their familiarity therewith. Each incoming Director is also advised of the policy.

Executive Management

A senior management team, including the current President and Chief Executive Officer of MVHS, supports and complements the governance activities of the Board, ensuring that policies, plans and programs are implemented. The management team's major responsibilities are:

- Implementing the organization's strategic vision;
- Monitoring and improving quality of care, patient safety and outcomes;
- Coordinating and engaging the medical staff;
- Ensuring well-trained employees;
- Ensuring efficient and effective daily operations of the System;
- Developing the System's budget and consistent management and oversight of its financial position;
- Developing and implementing actionable, measurable marketing and promotion plans to help drive MVHS growth strategies; and
- Creating and implementing a robust philanthropic program to meet the organization's goals, in particular a comprehensive campaign for the building of a New Regional Medical Center.

The President and Chief Executive Officer reports to the Board and is supported by the other members of the System's senior management. Biographical information regarding the President and Chief Executive Officer and the other key members of the System's senior management follows:

Darlene Stromstad, FACHE, President and Chief Executive Officer, Age 63

Darlene Stromstad was appointed President and CEO in January of 2019. Prior to her current appointment, she served as interim Chief Executive Officer of Fenway Health, a large federally qualified health center in Boston. She also served as President/CEO of Waterbury Hospital and the Greater Waterbury Health Network (now known as Waterbury HEALTH) in Connecticut and President/CEO of Goodall Hospital in Sanford, ME. Ms. Stromstad is nationally recognized for her leadership and active engagement in organizations such as the American College of Healthcare Executives where she served as a member of the Board of Governors. She also served on the American Hospital Association's Metropolitan Advisory Council. She served at the statewide level on the Board of Directors of the Connecticut Hospital Association and the Maine Hospital Association, and at the local and regional levels as a Board member for the Greater Waterbury United Way, Greater Waterbury Chamber of Commerce, Naugatuck Community College, and Sanford Downtown Legacy. Ms. Stromstad received her Master of Business Administration from Rivier College in Nashua, New Hampshire, and her Bachelor of Arts in Journalism from the University of North Dakota in Grand Forks, North Dakota.

Robert Scholefield, MS, RN, Executive Vice President/Chief Operative Officer and Executive Vice President of Facilities and Real Estate, Age 59

Robert Scholefield has served as Executive Vice President/Chief Operating Officer since March, 2014 upon the affiliation of FSLH and SEMC.. Mr. Scholefield has been employed at MVHS and SEMC for over 30 years, having formerly served as the assistant director and director of nursing at SEMC and vice president of nursing at SEMC. In 2019, Mr. Scholefield was appointed to a new role at MVHS, Executive Vice President of Facilities and Real Estate. This is a newly created role which was established to ensure the necessary oversight of all aspects of the New Regional Medical Center project. While he is active in this new role, Mr. Scholefield continues to fulfill the responsibilities of COO as MVHS works to recruit his replacement. Mr. Scholefield holds a bachelor's degree in professional studies from the State University of New York at Utica/Rome, a Master of Science degree in health systems management from New School for Social Research in Utica, New York and is a graduate of the St. Elizabeth School of Nursing in Utica, New York. Mr. Scholefield is currently a member of the board of directors of the Greater Utica Chamber of Commerce and St. Elizabeth College of Nursing.

Louis Aiello, Senior Vice President and Chief Financial Officer, Age 50

Louis Aiello serves as the Senior Vice President and Chief Financial Officer at MVHS, a role he has served in since March 2014. In this position, Mr. Aiello is responsible for the finance and operations of the System while integrating accounting, budgeting, investing and financial reporting as well as providing the System with the managerial support necessary to administer the highest quality of care to all patients. Mr. Aiello is responsible for overseeing Patient Access Services, Patient Accounting, Financial Services, Cash Management, Health Information Management, Telecommunications, Purchasing, Mail Room/Print Shops and Home Care Services. Prior to the MVHS affiliation, Mr. Aiello served as the Chief Financial Officer and Vice President of Finance at SEMC. Mr. Aiello holds a bachelor's degree in accounting from Utica College of Syracuse University and passed his Uniform CPA Examination in 1996.

Linda McCormack-Miller, DNP, RN, NEA-BC, Senior Vice President and Chief Nursing Officer, Age 60

Linda McCormack-Miller, DNP, RN, NEA-BC, has served as the Senior Vice President and Chief Nursing Officer at MVHS since March 2017. In this position, she is responsible for nursing practice, policy and procedures across the System. Ms. McCormack-Miller has more than 25 years of progressive healthcare experience. After earning her Bachelor of Science in Nursing from Seton Hall University in South Orange, New Jersey, she was commissioned as a nurse in the United States Navy. She served at Portsmouth Naval Hospital in Portsmouth, Virginia; Camp Lejeune Naval Hospital in Jacksonville, North Carolina; and Oakland Naval Hospital in Oakland, California. Ms. McCormack-Miller completed her Master of Science in Nursing from Old Dominion University in Norfolk, Virginia, and her Doctorate in Nursing from Rush University in Chicago, Illinois. In 1993, Ms. McCormack-Miller began her post-naval career at Our Lady of Lourdes Memorial Hospital in Binghamton, New York, and held a variety of positions, most recently serving as the Senior Vice President of Operations/Chief Nursing Officer. Ms. McCormack-Miller is certified by the American Nurses Credentialing Center as a Nurse Executive, Advanced.

Eric Yoss, MD, FCCP, Senior Vice President, Interim Chief Medical Officer, Chief Quality Officer and Patient Safety Officer, Age 63

Eric Yoss, MD, FCCP, a specialist in Pulmonology and Critical Care Medicine, is Senior Vice President of Quality at MVHS. In this position, he is responsible for overseeing and coordinating the various quality programs at MVHS. Dr. Yoss has served on the SEMC medical staff since the early 1990s, including as its president and secretary/treasurer. He has been associated with Pulmonary and Critical Care Associates of New Hartford since 1988 and has served as medical director of Respiratory Care and the Intensive Care Unit at SEMC and as medical director of Critical Care services at FSLH. Dr. Yoss received his medical degree from New York Medical College in Valhalla, New York, and completed an internship/residency and fellowship at Thomas Jefferson University Hospital in Philadelphia, Pennsylvania. Dr. Yoss is board certified in Internal Medicine, Pulmonary Diseases and Critical Care Medicine. Dr. Yoss is a member of the Society of Critical Care Medicine and a fellow in the American College of Chest Physicians.

Patricia Charvat, Senior Vice President of Marketing and Strategy, Age 57

Patricia Charvat is the Senior Vice President of Marketing and Strategy at MVHS. In this role, Ms. Charvat provides leadership and direction, in conjunction with the organization's senior executives, for establishing growth, business development and marketing strategies. She helps MVHS establish deep community relationships that target programs to demonstrably improve the health of the communities served by MVHS throughout the region. She develops advocacy strategies at the federal, state and local levels and manages the marketing and communications functions and staff. Ms. Charvat brings extensive experience to MVHS, as well as knowledge of New York healthcare and of Utica. Ms. Charvat served as vice president of Corporate Communications and Marketing for the Healthcare Association of New York State (HANYS) in Albany, New York. Ms. Charvat also served as a senior vice president at the Massachusetts Hospital Association, and for several years, ran her own consulting company which focused on healthcare marketing and strategy, advocacy, community health, as well as providing communications support to start-up companies. From 2013 to February 2019, she led the public affairs, communications and marketing function for the Greater Waterbury Health Network in Waterbury, Connecticut, where she was instrumental in navigating through regulatory processes, building community trust and grassroots advocacy. Her focus on rebranding also included a

successful effort to improve awareness and referrals. Ms. Charvat graduated from Utica College with a dual bachelor's degree major in Journalism and Public Relations.

THE NEW REGIONAL HEALTHCARE CAMPUS

The Need for the New Regional Medical Center

The consolidation of healthcare services in the Utica region began in 1997 with the formation of the Mohawk Valley Heart Institute between FSLH and SEMC. Most recently, as noted above, MVHS was formed through the affiliation of FSLH and SEMC in 2014. Prior to the affiliation, FSLH and SEMC had a combined operating loss of $15 million for the fiscal year ended December 31, 2013. Following the approval of the affiliation by the State of New York in 2014, management was charged with the tasking of putting together a Business Plan of Efficiencies to neutralize the operating losses. The final plan consisted of over 124 initiatives phased over four years targeting $49.3 million in savings from fiscal years 2014-2018. Through the implementation of this plan, MVHS was able to achieve its target in less than three years resulting in $65.6 million of savings through fiscal year 2018. While MVHS was able to exceed the targeted savings, MVHS was limited from further operational improvement due to the combination of various IT systems across the multiple campuses.

MVHS's two existing acute care facilities were constructed over 60 and 100 years ago, respectively, and have been repaired, rehabilitated or replaced periodically. These facilities are limited in their ability to accommodate modern equipment and technology and adapt to changing models of patient care. New state initiatives for transforming healthcare in New York first provided the impetus in 2014 to explore the possibility of a new hospital in Central New York that could be sized, configured and equipped to more effectively, efficiently and reliably deliver clinical care in the 21st century. The New Regional Medical Center will enable MVHS to consolidate its two existing acute care hospitals into one integrated location and will create a structured delivery system that will serve to reduce gaps/inefficiencies in care coordination and duplication of services provided. **Through the consolidation of the existing campuses, MVHS projects approximately $15 million in annual savings through operating efficiencies.**

In November 2017, MVHS submitted a full review certificate of need ("CON") application to the New York State Department of Health ("NYSDOH") to transform the delivery of healthcare services within Oneida County and across the region with the construction of a new regional healthcare campus (the "New Regional Medical Center"). On April 16, 2018, NYSDOH approved the CON, with contingencies. To date, the original contingencies have been satisfied except for the submission of 60% architectural and engineering drawings, which are targeted for submission on October 23, 2019.

The New Regional Medical Center

The New Regional Medical Center, which will be located on a 25-acre parcel of land adjacent to the central business district of the City of Utica, is currently designed as a 9-story, approximately 672,000-square-foot building (a reduction in overall building square footage of approximately 28%). In total, MVHS will reduce its overall inpatient bed complement by 174 beds (30% reduction) to 373 beds. As part of the reduced bed count, MVHS intends to maintain 24 physical medicine and rehabilitation beds at its current St. Luke's campus. The following chart compares licensed beds at the existing facilities with the proposed licensed bed complement at the New Regional Medical Center and St. Luke's campus:

EXISTING AND PRO-FORMA LICENSED BEDS

	SEMC	FSLH	Existing Total	New Hospital Facility	Net Change
Medical/Surgical	149	238	387	232	-155
Intensive Care	20	22	42	42	0
Maternity	0	26	26	23	-3
Coronary Care	0	8	8	8	0
Neonatal Continuing Care	0	4	4	0	-4
Neonatal Intermediate Care	0	8	8	8	0
Pediatric	8	14	22	16	-6
Psychiatric	24	26	50	44	-6
Physical Medicine and Rehabilitation [(1)]	0	24	24	24	0
Total	**201**	**370**	**571**	**397**	**-174**

(1) MVHS will be retaining 24 beds at the FSLH-SL campus.

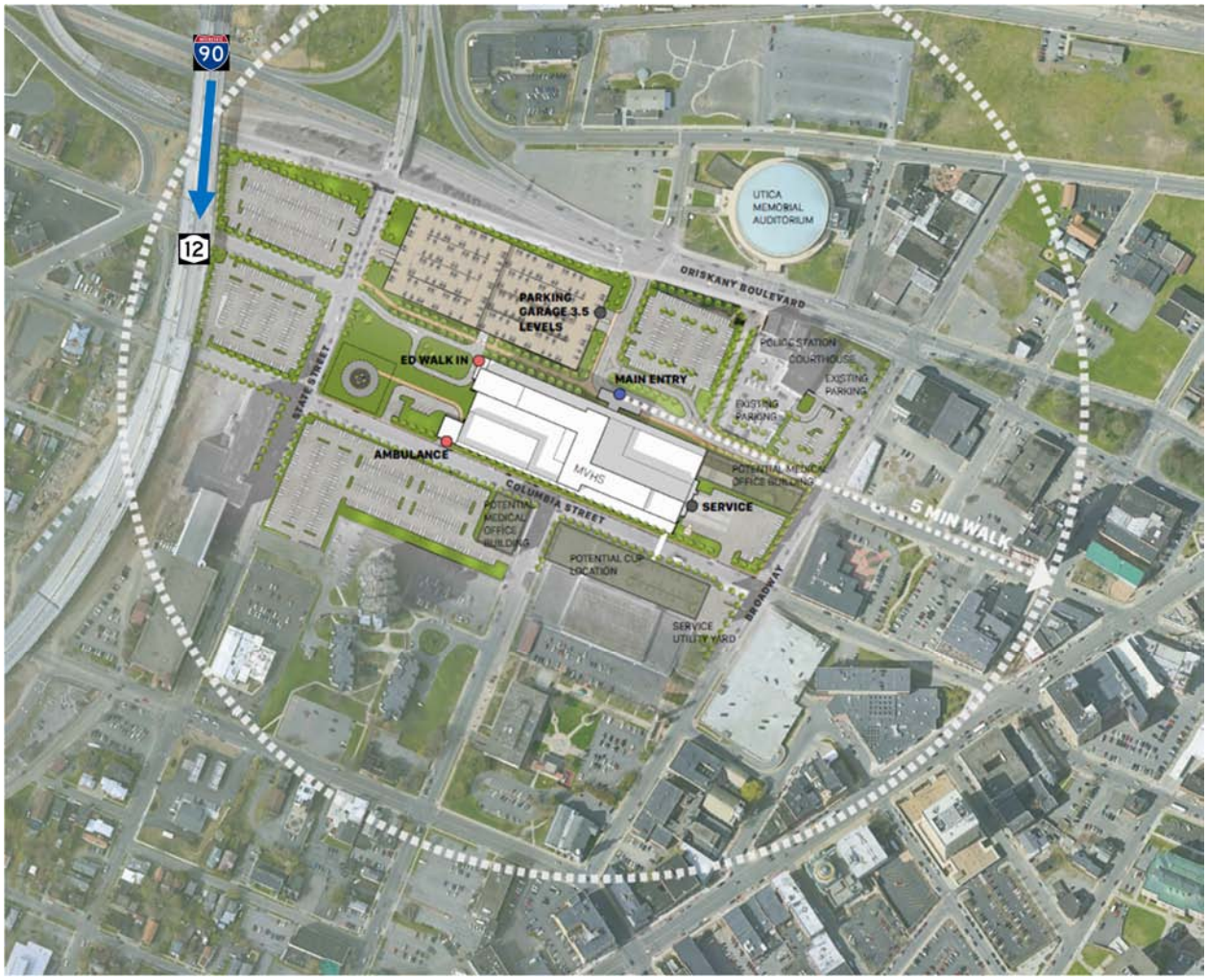
Based on the combined impatient utilization of SEMC and St. Luke's, the facilities had an overall occupancy rate of 56.1% as of December 31, 2018, based on licensed beds. Following the completion of the New Regional Medical Center, the overall occupancy rate when using 2018 utilization statistics would be 80.6%, which is more in-line with current hospital occupancy norms.

The inpatient units at the New Regional Medical Center will be almost entirely private. Approximately ten rooms will be constructed as semi-private rooms for use only during periods of high census. The new ED will include 47 treatment spaces (ED exam, quick turn, and trauma), six behavioral health treatment rooms and ten observation beds. The newly designed ED will support the care of 90,000 visits annually. For the year ended December 31, 2018, SEMC and FSLH had a combined total of 80,000 visits.

The New Regional Medical Center will have one primary entrance with easy drop-off, garage parking and building entry connections. The ED will contain separate walk-in, ambulance and decontamination entrances. The building is designed in an on-stage/off-stage configuration to aid in wayfinding, security controls and supporting patient dignity. There will be separate patient, service and visitor elevators providing for safe and efficient movements. A dedicated, rapid-access elevator will be able to be pulled from general use for quick movement of patients from the ED to interventional area, birthing center and behavioral health unit. A helistop will be located at the ED's ambulance entrance.

Utica Parking Garage

In conjunction with the New Regional Medical Center, Oneida County, the City of Utica and MVHS are collaborating on a new 1,550 car parking structure that will be adjacent to the new MVHS Regional Medical Center. The parking structure will be funded by the City of Utica and Oneida County, and not by proceeds of the Bonds. As part of the parking project, MVHS will have a parking agreement that allots 1,150 spaces for hospital needs and MVHS will be responsible for operation and maintenance costs estimated at $1 million/year. The remaining 400 spaces will be reserved for public use with additional space available for nighttime non-hospital events at the Utica Auditorium and surrounding areas.



The Design Team for the New Regional Medical Center

MVHS has hired NBBJ to serve as the architect for the New Regional Medical Center. Founded in 1943, NBBJ is a leader in designing healthcare, corporate office, commercial, civic, science, education and sports facilities. Since 2000, NBBJ has designed more than 250 projects in the State of New York. NBBJ's clients include Brigham & Women's Hospital, Cleveland Clinic, Massachusetts General Hospital, NYU Langone Medical Center, Providence Health, Medical University of South Carolina, and OhioHealth.

Gilbane Building Company ("Gilbane") will serve as the construction manager on the New Regional Medical Center project. Founded in 1873, it is one of the largest privately held family-owned construction and real estate development firms in the industry. Gilbane, headquartered in Providence, Rhode Island, is a national leader in healthcare facilities with experience in the Upstate New York market. Gilbane has completed more than 156 major healthcare projects in the past five years, totaling $4.5 billion.

Hammes Company is an industry leader in the development of healthcare facilities and provides a full services approach including strategic planning, project management and ownership on a national platform. They are assisting MVHS with the programming, budgeting, scheduling and land acquisition for the New Regional Medical Center project and will oversee the completion through occupancy. Hammes Company has also provided expertise in assembling the other team members including architects, engineers and construction managers who have the experience and expertise in planning and implementing the scope of the project in New York State.

Anticipated Schedule

Site acquisition for the New Regional Medical Center's building footprint was substantially completed in October 2019. MVHS's construction partners are scheduled to begin the abatement of hazardous materials within all of the acquired properties and demolition of the buildings in October in order to prepare the site. Construction on the New Regional Medical Center is anticipated to commence in March 2020 with completion scheduled to occur in February 2023.

Estimated Costs and Funding

The total cost of the New Regional Medical Center is anticipated to be approximately $520 million and will be funded with a combination of a state grant, proceeds of the Bonds, fundraising, equity from MVHS and other miscellaneous sources. In anticipation of the project and in an effort to assist in transforming and revitalizing the Utica community, the State of New York awarded a $300 million grant to MVHS under the Health Care Facility Transformation Program ("HCFTP Grant") that will be utilized for MVHS's New Regional Medical Center. The HCFTP Grant was split into two phases: (1) $18 million Phase I, which was executed in October 2018 to fund portions of the pre-construction, including scoping and design, and (2) $282 million Phase II, which was executed in September 2019 to repay portions of amounts spent on the acquisition of the New Regional Medical Center site, fund portions of the construction and equipping of the New Regional Medical Center. Through September 2019, MVHS has received $11 million from the grant and expects to utilize the remainder throughout the construction period. In order to ensure timely payment of construction costs while the grant funds are requisitioned from the State of New York, MVHS will be executing concurrently with the issuance of the Bonds, a $25 million bridge line of credit that will be drawn upon and then repaid with proceeds of the grant.

Hammes Company has been assisting MVHS in establishing project cost estimates and projections. The budget includes substantial contingency amounts, aggregating $26 million, or approximately 5% of the budgeted $517 million costs of the New Regional Medical Center. MVHS expects to have in place a guaranteed maximum price contract for construction of the New Regional Medical Center by February 2020.

The following table outlines the categories of the estimated project costs associated with the New Regional Medical Center.

Estimated Project Cost Category	($, 000s)
Scoping and Pre-Development	$ 3,490
Project Design	22,910
Property Acquisition and Demolition	35,769
Building and Site Construction [(1)]	392,286
Administrative Expenses	8,738
Furniture, Equipment and Other [(2)(3)]	56,725
Total	$ 519,918

(1) Includes $26.2 million construction contingency.
(2) Some equipment from the existing hospital facilities will be moved to the New Regional Medical Center, which will represent approximately 50% of the equipment at the New Regional Medical Center.
(3) The equipment budget is currently allocated in the following manner: $36 million for medical equipment; $10 million for technology; and $10 million for furnishings.

Plans for the Existing Hospital Facility Campuses

In anticipation of the transition of MVHS's acute care operations to the New Regional Medical Center by the end of February 2023, MVHS has engaged CHA Consulting, Inc., an Albany-based engineering consulting firm, to assist with a comprehensive evaluation of the potential reuse of all three of the existing campuses (SEMC, St. Luke's and Faxton). It is anticipated that the Faxton campus will continue to house the regional cancer center, urgent care, outpatient dialysis and other ancillary services. In addition, the St. Luke's campus will continue to house the 24 physical medicine and rehabilitation beds and 202-bed St. Luke's Home. CHA Consulting's evaluation and

recommendations are anticipated to be completed in 2020. These recommendations may range from repurposing the existing assets for outpatient and other non-inpatient related medical services to sale of the existing properties.

STRATEGIC DIRECTION

With a new President and CEO joining the organization in January 2019, a new, short-term growth plan was established for 2019, which is laying the foundation for the development of a new strategic plan that will lead up to the opening of the New Regional Medical Center in 2023.

Key strategic initiatives for the short-term growth plan include:

- The implementation of Epic as the organization's uniform Electronic Health Record ("EHR") and using the robust data and analytics to drive clinical excellence and strengthen key service lines
- Growing and strengthening key service lines through a strong dyad with a physician and an administrator in:
    - Cardiology & Cardiothoracic Surgery
    - Orthopedic Surgery
    - General and Robotic Surgery
    - Certified Stroke Center
    - Obstetrics
- Embarking on the journey to become a high reliability organization
- Engaging employees, Medical Staff and Board of Directors in redefining the organizational mission
- Expanding graduate medical education programs by creating new residency programs to meet community/regional need for primary care, psychiatry, OB/GYN, emergency medicine, general surgery, and podiatry
- Actively recruiting highly skilled, talented physicians to the region
- Improving care coordination and reducing avoidable hospitalizations through the State's Delivery System Reform Incentive Payment ("DSRIP") Initiatives Program

These key initiatives form the core of MVHS's strategic plan moving forward.

Information Technology

With the System's formation occurring in stages in 2000 and 2014, the System has operated numerous technological platforms, including electronic medical record systems, financial and billing software.

In 2009, the Electronic Medical Record Adoption Model ("EMRAM") was introduced, updating the roadmap with standardized national application and advanced EHR components. EMRAM was created by Health Information and Management Systems Society Analytics to track EHR progress at hospitals and healthcare systeMs. There are 8 stages (0 to 7) of paperless record environment on which hospitals and healthcare systems are scored. Stage 0 indicates an entirely paper-based medical record, while Stage 7 indicates a fully electronic medical record. Today, the System stands at EMRAM Stage 6, and anticipates achieving Stage 7 over the next three years.

In advance of the construction of the New Regional Medical Center and consolidation of services onto one campus, MVHS embarked on a comprehensive strategy to transform clinical processes and technology to improve quality and patient safety. In 2016, MVHS began an investigation of alternative EHR solutions and after extensive due diligence, MVHS selected Epic as its replacement EHR platform in early 2018. Significant selection factors included Epic's fully integrated and interoperable enterprise-wide platform and its offering of advanced and innovative tools with exceptional service support. The System's development and implementation of the new Epic platform, which consolidated all of the hospital and physician practice systems, began in May 2018 and the system-wide "go-live" occurred at the end of June 2019. A portion of this project that was initially funded by a bridge loan will be refinanced with proceeds of the 2019 Bonds.

MVHS also recently consolidated many of its business management systems under one platform, Infor Lawson. This includes the key organizational functions of financial management (general ledger & financial reporting), human capital management (HR & payroll) and procurement (purchasing & payment processing).

Delivery System Reform Incentive Payment Program

The Delivery System Reform Incentive Payment Program ("DSRIP") is the main mechanism by which New York State will implement the Medicaid Redesign Team Waiver Amendment. Through reducing avoidable hospital use, DSRIP's core purpose is to fundamentally transform the healthcare delivery system and reduce avoidable hospital use by 25%. In conjunction with other partners, FSLH formed in January 2015 the Central New York Care Collaborative ("CNYCC"), a Performing Provider System with the purpose to develop and implement DSRIP project plans focusing on outpatient clinical management and population health, integrated delivery systems, primary care and behavioral health access and coordination, care coordination and transitional care programs, clinical improvement projects relating to behavioral health and physical health needs identified in a community needs assessment, and population health. CNYCC's goal is to create and sustain an integrated, high performing healthcare delivery system that can effectively and efficiently meet the needs of Central New York Medicaid. CNYCC connects more than 2,000 healthcare and community-based service providers in six counties across Central New York – Cayuga, Lewis, Madison, Oneida, Onondaga and Oswego.

MVHS's DSRIP project work is aimed at reducing Potentially Preventable Emergency Room Visits ("PPVs"), Potentially Preventable Readmissions ("PPRs") and improving Prevention Quality Indicators for adult and pediatrics ("PQIs" and "PDIs", respectively). In addition, MVHS is implementing evidence-based strategies for disease management in high risk/affected populations aiming to improve the management of cardiovascular disease and its associated risk factors. This project addresses blood pressure control, cholesterol management, tobacco cessation, and prevention efforts for stroke and cardiovascular disease. MVHS is working to achieve these objectives through the implementation of eleven DSRIP projects. The new regional healthcare campus project will provide the physical infrastructure necessary to remove many of the barriers and challenges currently impeding improvements to these measures. As a result of MVHS's efforts, MVHS recorded approximately $4,082,000 and $7,125,000 in operating revenue from DSRIP in 2017 and 2018, respectively.

MEDICAL STAFF

As of May 31, 2019, the medical staff of the System included 419 physicians. The average age of the active medical staff is 53 years. As of May 31, 2019, over 85% of active physicians are board certified in their respective specialties. In addition, the medical staff includes Allied Health Professionals including nurse practitioners, physician assistants, nurse anesthesiologists, midwives, audiologists, chiropractors, dentists, ophthalmologists, doctors of pharmacy, doctors of psychology, nurse first assistants, radiology practitioner assistants and speech language pathologists.

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The active medical staff distribution as of May 2019 was as follows:

MEDICAL STAFF DISTRIBUTION

Department	Number of Active	Average Age	Department	Number of Active	Average Age
Adolescent Medicine	1	62	Neurosurgery	4	53
Allergy/Immunology	1	71	OB/Gyn	23	52
Anesthesia	29	59	Ophthalmology	4	55
Bariatric Surgery	3	51	Oral & Maxillofacial Surgery	3	58
Cardiac Anesthesia	2	63	Otolaryngology	4	62
Cardiology	21	58	Orthopedics	13	54
Cardiothoracic Surgery	2	59	Pallative Care	1	65
Community Medicine	20	53	Pathology	8	60
Cytopathology	1	41	Pediatrics	8	53
Dentistry	6	55	Perinatology/Neonatology	3	48
Emergency Medicine	35	43	Plastic Surgery	3	60
Endocrinology	5	63	PM&R (Pain Management)	7	54
Family Medicine	34	53	Podiatry	7	52
Gastroenterology	10	56	Psychiatry	3	58
General Practice	1	34	Pulmonary/Critical Care	10	52
General Surgery	13	57	Radiation Oncology	4	51
Geriatric Medicine	1	31	Radiology	21	55
Hematology/Oncology	7	48	Rheumatology	1	55
Hospitalist	19	39	Teleradiology	23	53
Infectious Disease	3	60	Urgent Care	5	56
Internal Medicine	18	56	Urology	11	52
Nephrology	5	56	Vascular Neurology	4	45
Neurology	11	43	Vascular Surgery	1	56
			Totals	**419**	**53**

Labor Relations

The System has 11 labor bargaining units and contracts with five different unions, which represent 56% of the overall workforce. To date, all current agreements have been negotiated without work interruptions or stoppages. The System prioritizes longer-term agreements to stabilize the labor environment, minimize the cost and disruption of more frequent negotiations, establish and aggressively institute labor/management committees, and address areas of operational improvement that have long-term sustainability.

Operational contract modifications have provided flexibility to contract out work based on operational needs, as well as management flexibility in staffing and attendance rules. Negotiated contract provisions are consistent with key organizational needs and initiatives being implemented for the non-union workforce. The MVHS labor relations staff directly handles all labor arbitration hearings and charges before the National Labor Relations Board. Management has good relationships with its unionized and non-unionized employees.

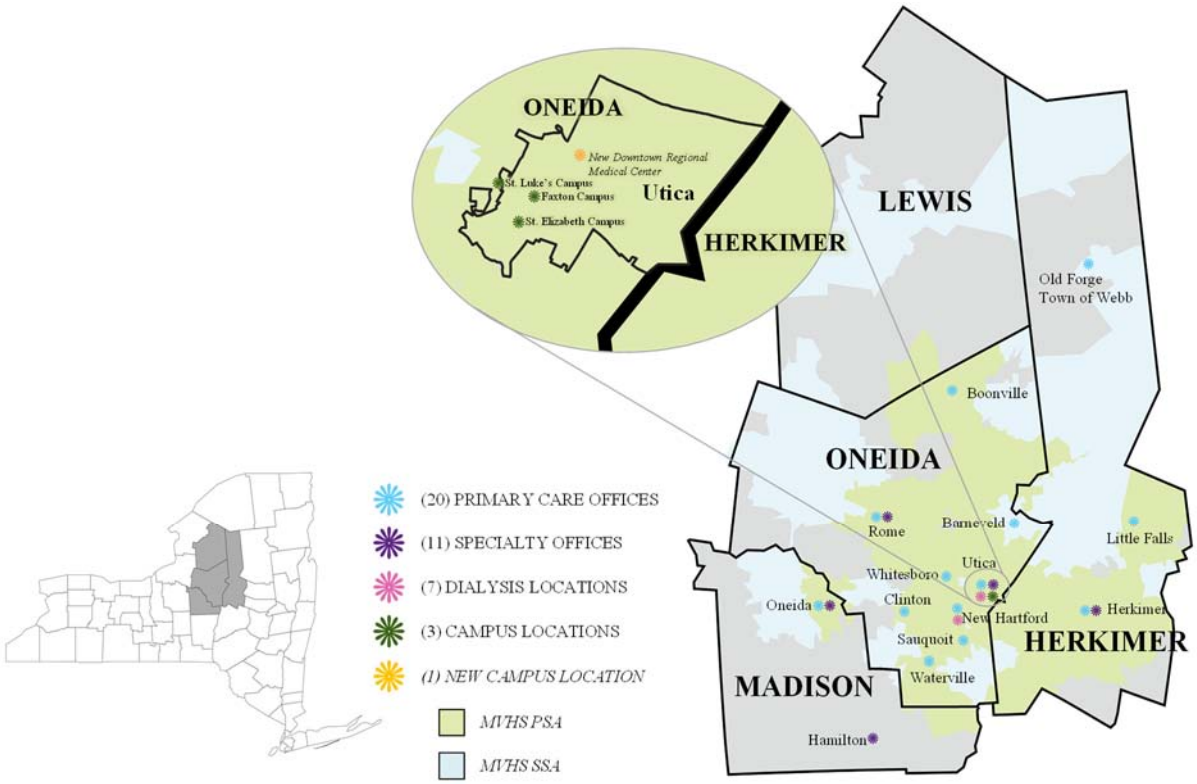
The following table illustrates the contract expiration terms of represented employees:

LABOR CONTRACT TERMS				
Facility	**# of Units**	**Job Classification**	**Contract Termination Date**	**Approximate Number of Associates**
FSLH	2	Registered Nurses ("RNs")	6/30/2020	657
	2	Licensed Practical Nurses and Technicians	6/30/2020	193
	1	Service and Maintenance	6/30/2020	696
SEMC	1	RNs	10/31/2019	471
	1	Licensed Practical Nurses and Technicians	9/7/2020	433
	1	Service and Maintenance	9/7/2020	152
VNA	1	RNs	4/30/2022	33
	1	Home Health Aides	7/31/2021	16
SNH	1	Care Manager Nurses	10/31/2019	9

SERVICE AREA AND COMPETITION

Service Area and Demographics

The System's primary and secondary service areas consist of portions of Oneida, Herkimer, Madison and Lewis Counties in New York. The map below depicts MVHS's service area footprint, the location of MVHS's facilities.



From a patient origin standpoint, Oneida County comprises 75.8% of total System discharges, with remaining discharges largely originating from the other bordering counties in central New York.

The four counties that MVHS primarily serves, which cover 4,667 square miles, are in the central portion of New York State with Syracuse to the west and Albany the east.

According to US Census Bureau website, the 2018 population for the four county region was estimated at 388,652. The 65+ age cohort in four counties represents approximately 19.0% of the current population, compared to 15.9% of the U.S. population.

TEN LARGEST EMPLOYERS IN ONEIDA COUNTY NEW YORK
Ranked by Number of Full-Time Equivalent Employees

Employer	Type of Activity	Number of Employees
Oneida Indian Nation	Tourism	4,750
Mohawk Valley Health System	Healthcare	4,279
Upstate Cerebral Palsy	Social Services	2,000
Metlife, Inc.	Insurance/Finance	1,368
Utica City School District	Education	1,302
Resource Center for Independent Living	Social Services	1,250
Air Force Research Lab	Research & Development	1,182
Utica National Insurance Group	Insurance/Finance	1,112
The Hartford	Insurance/Finance	1,080
Wal-Mart Stores Distribution Center	Warehousing/Transportation	1,011

Source: Mohawk Valley EDGE

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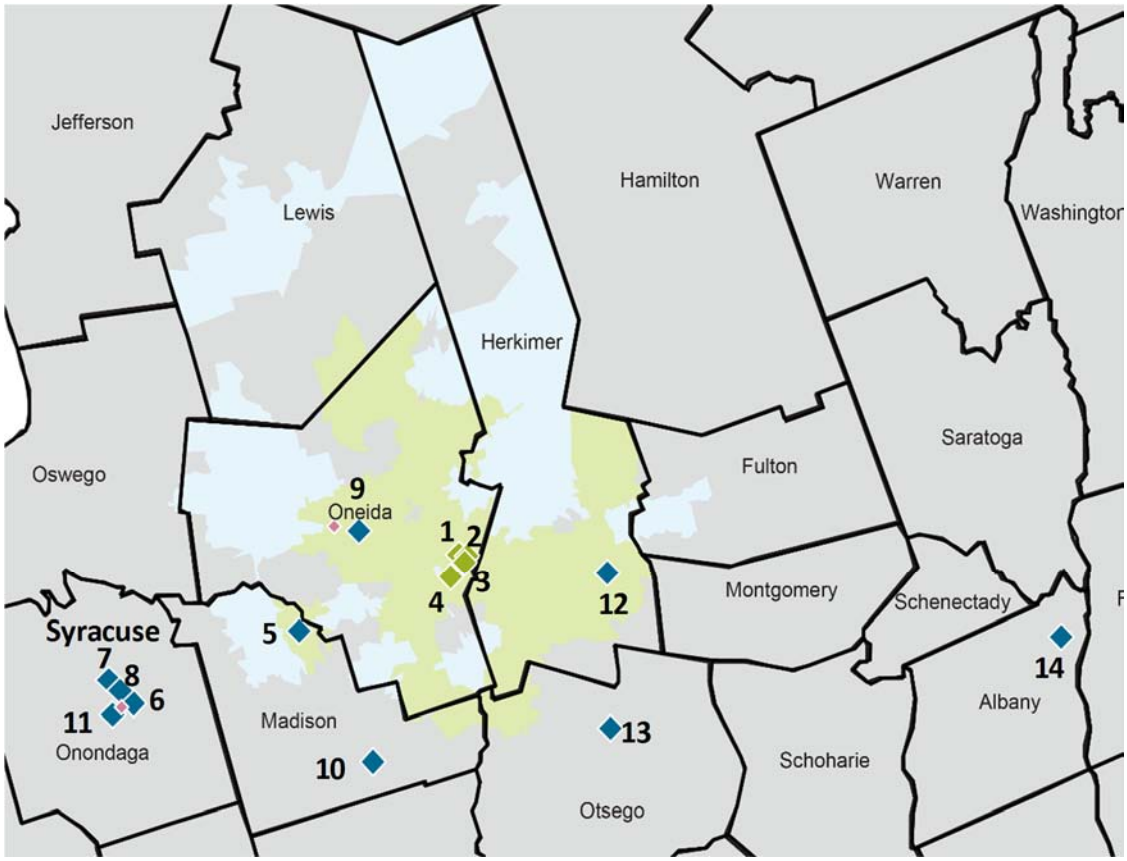
Competition

In its service area, the System's primary competitors include Rome Memorial Hospital ("Rome") (144 beds), Little Falls Hospital (25 beds – critical access hospital) and Oneida Healthcare (101 beds). In addition, there are four tertiary care providers approximately an hour away in Syracuse, NY.

The map below depicts MVHS's hospitals as well as those of its primary competitors.



Mohawk Valley Health

1. **New Downtown Regional Medical Center**
2. St. Luke's Campus
3. Faxton Campus
4. St. Elizabeth Campus

MVHS PSA

MVHS SSA

* Critical access hospital

Competitors

5. Oneida Healthcare Center
6. Crouse Health
7. St. Joseph's – *Trinity Health*
8. Upstate Medical Center – *SUNY*
9. Rome Memorial
10. Community Memorial*
11. Upstate University Hospital at Community Campus - *SUNY*
12. Little Falls Hospital* – *Bassett Healthcare*
13. Mary Imogene Bassett Hospital
14. Albany Medical Center

The following table presents the licensed beds by location for MVHS and its primary competitors in primary and secondary markets.

LICENSED BEDS BY LOCATION

Facility	Licensed Beds	City/Town	Approximate Distance (miles)
SEMC	201	Utica	N/A
FSLH	370	Utica	N/A
Mohawk Valley Health System	**571**		
Rome Memorial Hospital [1]	130	Rome	20
Oneida Healthcare [2]	101	Oneida	20
Little Falls Hospital [1]	25	Little Falls	25
Community Memorial [2]	25	Hamilton	30
Mary Imogene Bassett Hospital [2]	180	Cooperstown	50
St. Joseph's Hospital Health Center [3]	451	Syracuse	50
SUNY Health Services [3]	420	Syracuse	50
Crouse Hospital [3]	465	Syracuse	50
Upstate University Hospital at Community Campus [3]	314	Syracuse	55
Total Primary Service Market	**726**		
Total Secondary Service Area and Tertiary Care Market	**1,956**		
Total Market	**2,682**		

Source: New York State Department of Health website.
(1) Primary service area competitor.
(2) Secondary service area competitor.
(3) Tertiary care competitor.

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2016 Primary and Secondary Market Share

With a total of 571 acute care beds, MVHS experienced 20,168 inpatient admissions in 2016 representing a leading market share of 64.7% in its primary area and a leading market share of 36.7% in its secondary area.

The following tables present the most current inpatient admissions and market share available for the periods of 2014 through 2016 for MVHS and its competitors.

PRIMARY SERVICE AREA
(Accounts for 80% of MVHS Inpatients)

	2014		2015		2016	
	Inpatients	**Market Share**	**Inpatients**	**Market Share**	**Inpatients**	**Market Share**
Mohawk Valley Health System						
Faxton-St. Lukes Healthcare - St. Lukes Campus	12,973	42.0%	13,021	41.5%	12,221	39.2%
St. Elizabeth Medical Center	7,641	24.7%	7,790	24.8%	7,947	25.5%
Total MVHS	**20,614**	**66.7%**	**20,811**	**66.3%**	**20,168**	**64.7%**
Rome Memorial Hospital	3,018	9.8%	2,850	9.1%	3,002	9.6%
SUNY Upstate Medical University	1,364	4.4%	1,550	4.9%	1,733	5.6%
Mary Imogene Bassett Hospital	1,401	4.5%	1,537	4.9%	1,567	5.0%
Oneida Healthcare Center	1,116	3.6%	1,167	3.7%	1,122	3.6%
Crouse Hospital	845	2.7%	781	2.5%	817	2.6%
Little Falls Hospital	531	1.7%	505	1.6%	499	1.6%
St. Josephs Hospital Health Center	376	1.2%	399	1.3%	452	1.5%
Albany Medical Center	349	1.1%	413	1.3%	414	1.3%
Community Memorial Hospital	311	1.0%	325	1.0%	310	1.0%
Strong Memorial Hospital	165	0.5%	226	0.7%	205	0.7%
Upstate University Hospital at Community Campus	149	0.5%	171	0.5%	186	0.6%
Others	671	2.2%	670	2.1%	680	2.2%
Total	**30,910**	**100.0%**	**31,405**	**100.0%**	**31,155**	**100.0%**

Source: HANYS Market Expert using SPARCS data.

SECONDARY SERVICE AREA
(Accounts for 10% of MVHS Inpatients)

	2014		2015		2016	
	Inpatients	**Market Share**	**Inpatients**	**Market Share**	**Inpatients**	**Market Share**
Mohawk Valley Health System						
Faxton-St. Lukes Healthcare - St. Lukes Campus	1,561	24.6%	1,503	23.1%	1,384	21.3%
St. Elizabeth Medical Center	981	15.5%	990	15.2%	1,002	15.4%
Total MVHS	**2,542**	**40.1%**	**2,493**	**38.2%**	**2,386**	**36.7%**
Oneida Healthcare Center	1,215	19.1%	1,170	18.0%	1,173	18.1%
SUNY Upstate Medical University	491	7.7%	576	8.8%	689	10.6%
Rome Memorial Hospital	394	6.2%	529	8.1%	460	7.1%
Crouse Hospital	391	6.2%	440	6.8%	373	5.7%
Mary Imogene Bassett Hospital	357	5.6%	264	4.1%	358	5.5%
St. Josephs Hospital Health Center	334	5.3%	371	5.7%	394	6.1%
Other	621	9.8%	675	10.4%	660	10.2%
Total	**6,345**	**100.0%**	**6,518**	**100.0%**	**6,493**	**100.0%**

Source: HANYS Market Expert using SPARCS data.

FINANCIAL AND OPERATING INFORMATION

Utilization

The following is a summary of the System's inpatient and outpatient utilization for each of the fiscal years ended December 31, 2016, 2017 and 2018 and for the six-month period ended June 30, 2019.

UTILIZATION STATISTICS

	For the Years Ended December 31,			For the Period Ended June 30,
	2016	**2017**	**2018**	**2019**
Inpatient Admissions	23,452	23,462	22,683	11,398
Observation Stays	2,498	2,401	1,861	659
Total Patient Days	117,844	116,262	114,496	60,413
Average Length of Stay (days)	5.00	4.93	5.03	5.32
Occupancy Percentage [(1)]	75.6%	74.6%	73.5%	76.9%
Medicare Case Mix	1.59	1.55	1.59	1.62
Inpatient Surgeries	8,105	7,759	7,158	3,112
Outpatient Surgeries	14,050	11,532	11,030	5,050
Total Surgeries	18,721	19,291	18,188	8,162
Emergency Visits (net of admit)	72,017	65,051	63,504	30,876
Outpatient Visits	297,568	297,951	295,767	145,776
Unique Patients	183,173	186,911	186,688	125,945

(1) Occupancy percentage is based on operational beds.

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Payor Mix

The following table shows the System's payor mix, based on net patient service revenues, for each of the fiscal years ended December 31, 2016, 2017, and 2018.

PAYOR MIX

	For the Years Ended December 31,		
Payer	**2016**	**2017**	**2018**
Medicare (Inc. HMOs)	37.1%	37.4%	36.5%
Medicaid (Inc. HMOs)	20.5	21.5	21.2
Blue Cross	27.7	26.6	25.6
Commercial	11.4	10.9	12.8
Self-Pay and Other*	3.3	3.6	3.9
Total	**100%**	**100%**	**100%**

* Other Includes: Hospice,Worker's Compensation and No Fault, among others
Source: MVHS Records

Historical Financial Information

The following financial information reflects a summary of the operating results and financial condition of the consolidated System for each of the fiscal years ended December 31, 2016, 2017 and 2018 and the unaudited six-month period ended June 30, 2019. The results have been derived from the System's audited consolidated financial statements and unaudited interim statements. In addition to the following summarized financial information, the complete audited consolidated financial statements for MVHS and Subsidiaries for the year ended December 31, 2018, including the notes thereto, appear in Appendix B and should be reviewed in order to evaluate the System's operating results and financial condition. These audited consolidated financial statements of MVHS and Subsidiaries were audited by Fust Charles Chambers LLP, as certified public accountants.

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Balance Sheets

The following is a summary of the System's balance sheets for each of the years ended December 31, 2016, 2017 and 2018 and period ended June 30, 2019:

MOHAWK VALLEY HEALTH SYSTEM
BALANCE SHEETS

(Dollars in Thousands)	December 31, (Audited)			June 30, (Unaudited)
	2016	**2017**	**2018**	**2019**
Assets				
Current Assets				
Cash and cash equivalents	$ 17,537	$ 21,959	$ 25,273	$ 7,489
Investments and assets limited as to use	95,543	102,368	103,861	117,836
Patient accounts receivable, net	59,439	64,528	63,639	70,984
Other current assets	26,408	29,414	31,592	36,690
Total Current Assets	**198,927**	**218,269**	**224,365**	**232,999**
Assets limited as to use	5,594	5,388	2,485	2,549
Investments	4,528	4,528	4,528	4,528
Property and equipment, net	158,427	150,039	157,592	185,614
Right-of-use assets	-	-	-	6,914
Other assets	27,993	29,272	25,055	25,903
Total Assets	**$ 395,469**	**$ 407,496**	**$ 414,025**	**$ 458,507**
Liabilities and Net Assets				
Current Liabilities				
Current portion of long-term obligations	$ 9,226	$ 7,953	$6,903	$ 6,635
Revolving line of credit	-	-	-	5,420
Lease liability	-	-	-	1,908
Accounts payable and accrued expenses	54,833	62,181	63,285	67,399
Current portion of estimated self-insured liabilities	9,294	7,292	6,201	8,233
Estimated third-party payor settlements, net	3,279	4,038	5,143	6,598
Other current liabilities	5,159	6,493	6,491	6,771
Total Current Liabilities	**81,791**	**87,957**	**88,023**	**102,964**
Long-term obligations, net	50,374	43,621	55,483	67,962
Lease liability	-	-	-	5,006
Other long-term liabilities	95,206	100,463	95,858	92,864
Total Liabilities	**$ 227,371**	**$ 232,041**	**$239,364**	**$ 268,796**
Net Assets				
Without donor restrictions	$ 158,319	$165,231	$158,627	$ 167,182
With donor restrictions	9,779	10,224	16,034	22,529
Total Net Assets	168,098	175,455	174,661	189,711
Total Liabilities and Net Assets	**$ 395,469**	**$407,496**	**$414,025**	**$ 458,507**

Source: MVHS Audited Financial Statements and Internally Prepared Financial Statements

Statements of Operations

The following is a summary of the System's audited statements of operations for each of the years ended December 31, 2016, 2017 and 2018 and the six month periods ended June 30, 2018 and 2019:

MOHAWK VALLEY HEALTH SYSTEM
STATEMENTS OF OPERATIONS

(Dollars in Thousands)	For the Years Ended December 31, (Audited)			For the Six Month Period Ended June 30, (Unaudited)	
	2016	**2017**	**2018**	**2018**	**2019**
Revenues and other support without donor restrictions:					
Net patient/resident revenue less bad debts	$ 500,362	$ 500,557	$ 504,324	$ 252,822	$ 251,498
Premium revenue	12,959	17,905	20,832	10,006	11,562
Other revenue	22,697	27,053	32,070	16,836	16,518
Net assets released from restrictions	707	725	1,159	-	-
Total revenues and other support without donor restrictions	**$ 536,725**	**$ 546,240**	**$ 558,385**	**$ 279,664**	**$ 279,578**
Expenses					
Salaries, wages, and benefits	$ 311,600	$ 314,500	$ 319,225	$ 160,009	$ 162,049
Supplies and other expenses	194,959	203,919	217,561	105,279	107,960
New York State gross receipts taxes	2,605	2,473	2,484	1,370	1,367
Depreciation and amortization	26,513	25,827	23,633	12,123	10,772
Interest	3,170	2,975	2,506	1,286	985
Total Expenses	**$ 538,847**	**$ 549,694**	**$ 565,409**	**$ 280,067**	**$ 283,133**
Net loss from operations	(2,122)	(3,454)	(7,024)	(403)	(3,555)
Nonoperating revenues and expenses	1,451	3,497	13,406	834	1,653
Excess (Deficiency) of revenues over expenses	**$ (671)**	**$ 43**	**$ 6,382**	**$ 431**	**$ (1,902)**
Change in fair value of interest rate swaps	$ 634	$ 562	$ 643	$ 718	$ (502)
Change in net unrealized gains and losses on investments	4,249	11,481	(11,462)	(1,693)	12,337
Net assets released from restriction for capital acquisitions	1,592	865	205	-	-
Contributions used for capital acquisitions	42	-	355	-	122
Pension related changes other than net periodic pension cost	2,673	(3,609)	22	-	-
Other components of net periodic benefit cost	-	(2,430)	(2,749)	(1,362)	(1,500)
Increase (Decrease) in net assets without donor restrictions	**$ 8,519**	**$ 6,912**	**$ (6,604)**	**$ (1,906)**	**$ 8,555**

Source: MVHS Audited Financial Statements and Unaudited Internal Records

Management's Discussion of Operations

Six-Month Period Ended June 30, 2019

Total assets increased by $44.4 million primarily due to an increase of $28 million property and equipment, net for assets added related to the New Regional Medical Center and the implementation of Epic. A $17.8 million decrease in cash was offset by a $13.9 million increase in market value of investments and a $7.3 million increase in patient accounts receivable, net due to the implementation of Epic.

Total liabilities increased by $29.4 million due to the additional debt associated with the New Regional Medical Center and the Epic implementation.

Net loss from operations totaled $3.6 million mostly due to one-time strategic items related to the Epic installation, CEO transition costs and a wage index reclassification. This loss includes $2 million of one-time Epic operating costs, consisting mostly of one-time training costs. In addition, MVHS had a $700,000 one-time cost related to the transition of the CEO as the prior CEO retired on January 1, 2019.

Total operating revenues were flat from the six-months ended June 30, 2018 to the six-months ended June 30, 2019 as overall volume has declined but reimbursement rate increases from payers offset these declines.

Total expenses increased by $3 million from the six-months ended June 30, 2018 to the six-months ended June 30, 2019. This is due in part to a $2 million increase in salaries and benefits related to cost of living increase in wages. Supplies and other expenses has increased $2.7 million due in part to a $1.4 million increase in drug costs related to inflation and drug mix; in particular, an increase in outpatient infusion volume over the prior year. In addition, there was a $500,000 increase related to locum and agency staffing and $600,000 increase in service contracts attributed to the purchase of new equipment. These increases were offset by a $1.3 million decrease in depreciation as expenditures on the existing facilities have reduced due to the plans to build the replacement New Regional Medical Center.

Non-operating revenue increased by $800,000 due to an increase in realized gains on investments compared to the same period in 2018. Total deficiency of revenue over expenses was $1.9 million. After adjusting for the $3.3 million in one-time strategic investments discussed above, the adjusted excess of revenues over expenses was $1.4 million.

Fiscal Year Ended December 31, 2018

Total assets increased by $6.5 million primarily due to an increase of $3.3 million in cash related to proceeds received from the demutualization of MLMIC Insurance Company ("MLMIC") and a $7.6 million increase in property and equipment, net for assets added related to the New Regional Medical Center and the implementation of Epic.

Assets whose use is limited declined by $2.9 million due to the refinancing of certain SEMC debt that enabled the elimination of a debt service reserve fund.

Total liabilities increased by $7.3 million due to the $10.8 million increase in long-term debt primarily associated with the New Regional Medical Center and the Epic implementation.

Net loss from operations totaled $7 million partially due to the start-up of new programs coupled with a decrease in inpatient admissions and ED volume that was partially offset with DSRIP revenue described below.

Total operating revenue increased by $12.1 million from fiscal year 2017 as patient service revenue, net increased $3.7 million due to positive rate increases from payers, which were partially offset by a decline in volume from a reduction in readmissions and avoidable ED visits. Premium revenue increased by $2.9 million as enrollment in SNH's managed long-term care ("MLTC") plan increased. Other revenue increased by $5 million mostly due to an increase of $1.7 million in contract pharmacy revenue from the 340B Program and $3 million increase in DSRIP funds.

Total expenses increased by $15.7 million from 2017. This was due in part to a $4.7 million increase in salaries and benefits which was attributed primarily to an increase in provider salaries and benefits from an increase in FTE's as a result of successful recruitment and the addition of new primary care sites in Rome and Oneida, New York, as well as starting a new urology practice in Utica, New York. Supplies and other expenses increased $13.6 million due in part to a $4.3 million increase in drug cost related to inflation, drug mix and an increase in outpatient infusion volume over the prior year. In addition, there was an increase of $3.5 million related to locum physician cost and nursing agency staffing, increase of $1.6 million in medical supplies due to increases in Electrophysiology and Cardiac Cath volume. Depreciation decreased by $2.2 million as IT spending slowed due to the plans to implement Epic in 2019 and hospital campus infrastructure cost slowed due to the plans to build the replacement New Regional Medical Center.

Non-operating revenue increased by $9.9 million mostly due to $11.6 million of revenue received related to the demutualization of MLMIC. Total excess of revenue over expenses was $6.4 million compared to $40,000 in 2017.

Fiscal Year Ended December 31, 2017

Total assets increased by $12 million as a result of $4.4 million increase in cash from positive operating cash flow, a $6.8 million increase in the market value of investments, and a $5.1 million increase in patient accounts

receivable, net due to timing at year end. Other current assets increased by $3 million due primarily to $1 million in DSRIP receivables and $1.2 million related to professional liability receivable true-up, which was offset by a corresponding liability. Property and equipment, net decreased by $8.3 million as capital projects related to IT and hospital capital projects slowed due to the continuation of planning for the New Regional Medical Center and planning for a replacement IT system.

Total liabilities increased by $4.7 million primarily due to a $7.3 million increase in accounts payable and accrued expenses. $3.1 million of the $7.3 million increase in accrued expenses was related New Regional Medical Center costs and the remaining $4.2 million was due to timing of payroll and accounts payable disbursements. Self-insured liabilities decreased $2 million due mainly to a decrease in the self- insured workers' compensation program. Total debt decreased by $8 million due to the normal amortization of debt.

Net loss from operations was $3.5 million due to volume declines outlined below coupled with the start-up of a new pulmonary practice in Utica, New York, and a new neuro endovascular program at the St. Luke's campus.

Total operating revenue increased by $9.5 million from fiscal year 2016 primarily due to a $4.9 million increase in premium revenue as enrollment in SNH's MLTC plan increased. Other operating revenue increased by $4.4 million mostly due to a $1.7 million increase in contract pharmacy revenue from the 340B Program and $2.5 million increase in DSRIP funds. Net patient revenue was flat as increases in rates were offset by decreases in volume mostly in cardiac surgery and outpatient surgery.

Total expenses increased by $10.8 million from fiscal year 2016 as a result of a $2.9 million increase in labor costs due to cost of living increases and an $8.5 million increase in purchased services related to additional nursing agency costs, locum physicians and anesthesia service costs. Medical supplies decreased by $3.7 million due to lower volumes while drug costs increased mainly due to an increase in outpatient infusion volume. The retrospective adoption of ASU 2017-07 resulted in a reclassification of $2.4 million of pension benefit cost from employee benefits to other components of benefit cost and an increase of $2.4 million in operating margin but had no impact on net assets.

Non-operating revenue increased $2 million due to an increase in investment income. Excess of revenue over expenses was $40,000 after the changes to the pension accounting and investment income noted above.

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Historical/Pro Forma Capitalization

The following table sets forth the capitalization of the System as of December 31, 2016, 2017, 2018, June 30, 2019 and 2019 as adjusted assuming the Series 2019 Bonds transaction were issued in the amount of $257.2 million and outstanding as of June 30, 2019.

MOHAWK VALLEY HEALTH SYSTEM
HISTORICAL / PRO FORMA CAPITALIZATION

	For the Years Ended December 31,			For the Period Ended June 30,	
Type	**2016**	**2017**	**2018**	**2019**	**Pro Forma 2019**
Series 1999A	$ 11,475	$ 10,863	$ -	$ -	$ -
Series 1999B	5,647	5,174	-	-	-
Series 2006A	8,000	8,000	-	-	-
Series 2006E&F	15,120	14,520	13,780	13,045	-
2018 Bank Loan	-	-	21,179	21,179	-
2018 Bridge Loan [1]	-	-	13,653	23,097	-
Revolving Note Payable	-	-	-	5,420	-
Series 2019A	-	-	-	-	236,015
Series 2019B (Taxable)					18,655
Lease liability [2]	-	-	-	6,914	6,914
Mortgages and other	9,817	6,913	4,305	3,823	3,823
Capital leases	10,489	6,938	10,064	14,036	14,036
Deferred issuance costs	(948)	(834)	(595)	(583)	(583)
Total Debt	**$ 59,600**	**$ 51,574**	**$ 62,386**	**$ 86,931**	**$ 281,410**
Net assets without donor restrictions	158,319	165,231	158,627	167,182	167,182
Total Capitalization	**$ 217,919**	**$216,805**	**$ 221,013**	**$ 254,113**	**$ 448,592**
Total Debt as a percentage of Total Capitalization	**27.3%**	**23.8%**	**28.2%**	**34.2%**	**62.7%**

Source: MVHS Audited Financial Statements and Unaudited Internal Records

(1) The 2018 Barclays bridge loan was utilized to fund the implementation of Epic as well as a portion of the pre-construction and design development work. Upon the issuance of the Series 2019 Bonds, the balance of the Barclays bridge loan will be reduced to $12.3 million for a short period of time until MVHS receives the disbursement from the state grant related to these expenses.

(2) Lease liability included as of June 30, 2019 due to Financial Accounting Standards Board's Accounting Standards Update 2016 02, Leases (Topic 842).

In addition to the long-term detailed in the table above, MVHS, in conjunction with the issuance of the 2019 Bonds will be entering into two lines of credit that will with be secured by a note under the Master Trust Indenture.

The first line of credit will have an available credit limit of $30 million, which will be replacing two existing lines of credit that total $30.5 million. Approximately $15 million of the new $30 million working capital line of credit will be utilized as letters of credit to guarantee payment of workers' compensation claims, which are required by the State of New York Workers' Compensation Board.

The second line of credit will total $20 million and will be utilized to bridge the receipt of the $300 million state grant funds that will be disbursed as part of the construction of the New Regional Medical Campus. This line of credit will be replacing the Barclays' credit facility that has been utilized to fund a portion of the pre-construction and design development work related to the New Regional Medical Campus.

Debt Service Coverage

The following table sets forth coverage of Maximum Annual Debt Service Requirements of the System on long-term indebtedness for each of the fiscal years ended December 31, 2016, 2017 and 2018.

MOHAWK VALLEY HEALTH SYSTEM
DEBT SERVICE COVERAGE

	For the Years Ended December 31,		
(Dollars in Thousands)	**2016**	**2017**	**2018**
Excess/deficiencies of revenues over expenses	$ (671)	$ 43	$ 6,382
Plus: Depreciation and amortization	26,513	25,827	23,633
Plus: Interest expense	3,170	2,975	2,506
Income Available for Debt Service	**$ 29,012**	**$ 28,845**	**$ 32,521**
Current Maximum Annual Debt Service Requirements on All Long-term Debt [1][2][3]	$ 11,798	$ 10,121	$ 9,766
Coverage of Current Maximum Annual Debt Service Requirement	**2.5x**	**2.9x**	**3.3x**
Pro Forma of Current Maximum Annual Debt Service Requirement [4]	$ 16,273	$ 16,273	$ 16,273
Coverage of Pro Forma Maximum Annual Debt Service Requirement [4]	**1.8x**	**1.8x**	**2.0x**

Source: MVHS Audited Financial Statements and Unaudited Internal Records
(1) Unhedged variable rate bonds interest rate assumed at 4.35%
(2) Hedged variable rate bonds interest rate assumed at fixed payor swap rates.
(3) The interest rate on the $600,000 adjustable note payable, which is fixed at 4.00% through March 2021, has been assumed at 4.00% through maturity in March 2026.
(4) Preliminary, subject to change.

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Liquidity

The following table sets forth the System's days cash on hand for each of the fiscal years ended December 31, 2016, 2017 and 2018 and the six month period ended June 30, 2019.

MOHAWK VALLEY HEALTH SYSTEM
DAYS CASH ON HAND

	For the Years Ended December 31,			For the Period Ended June 30,
(Dollas in Thousands)	**2016**	**2017**	**2018**	**2019**
Cash and cash equivalents without donor restrictions	$ 112,60	$ 122,979	$ 127,328	$ 124,778
Total operating expenses	538,847	549,694	565,409	283,134
Less: Depreciation and amortization	26,513	25,827	23,633	10,772
Total operating expenses less depreciation and amortization	$ 512,334	$ 523,867	$ 541,776	$ 272,631
Days Cash on Hand	**80**	**86**	**86**	**83**

Source: MVHS Audited Financial Statements and Unaudited Internal Records

The following table sets forth the System's cash-to-debt ratios at December 31, 2016, 2017, 2018, June 30, 2019 and 2019 as adjusted assuming the Series 2019 Bonds transaction were issued and outstanding on June 30, 2019.

MOHAWK VALLEY HEALTH SYSTEM
CASH-TO-DEBT

	For the Years Ended December 31,			For the Period Ended June 30,	
(Dollas in Thousands)	**2016**	**2017**	**2018**	**2019**	**Pro Forma 2019**
Cash and cash equivalents without donor restrictions [1][2]	$ 112,606	$122,979	$127,328	$ 124,778	$ 124,778
Total Debt	59,600	51,575	62,386	86,931	281,410
Cash-to-Debt	**1.9x**	**2.4x**	**2.0x**	**1.4x**	**0.4x**

Source: MVHS Audited Financial Statements and Unaudited Internal Records
(1) Pro Forma 2019, preliminary, subject to change.
(2) Total debt includes lease liability as of June 30, 2019 due to Financial Accounting Standards Board's Accounting Standards Update 2016 02, Leases (Topic 842).

Investments and Investment Policy

The System's investment portfolios are centrally managed through the Investment Committee of the Board. The primary investment strategy is to preserve purchasing power while providing a continuing and stable funding source to support the current and future mission of the Mohawk Valley Health System. To accomplish this objective, the System seeks to generate a total return that will exceed not only its operating expenses, but also all expenses associated with managing the investments and the eroding effects of inflation. It is the intention that all total return (interest income, dividends, and realized gains) above and beyond the amount approved for expenditure or distribution will be reinvested. MVHS's investments are managed on a total return basis, consistent with the applicable standard of conduct set forth in the New York Prudent Management of Institutional Funds Act.

The following table sets forth the composition of the System's total cash and cash equivalents and investments (donor restricted and without donor restriction), excluding pension assets, as of June 30, 2019.

MOHAWK VALLEY HEALTH SYSTEM
INVESTMENTS & INVESTMENT POLICY

(Dollars in Thousands)	June 30, 2019
Cash and cash equivalents	$ 8,424
Government Bonds	2,005
Mutual funds	94,655
Other	28,636
Total cash and cash equivalents and investments	**$ 133,720**

Source: MVHS Unaudited Internal Records

Insurance Arrangements

The System's healthcare professional (medical malpractice) and general liability exposures are provided under a claims-made based policy for FSLH and SEMC and an occurrence based policy for the Home, VNA and SNH, which provide for $1,000,000 coverage for each claim, not to exceed $3,000,000 in aggregate annual coverage. The insurance policies for FSLH and SEMC include a per claim $50,000 uninsured deductible, not to exceed $250,000 in aggregate annual coverage. MVHS has accrued a liability included in other liabilities of approximately $21,185,000 and $25,325,000 at December 31, 2018 and 2017, respectively. A corresponding receivable included in other assets of approximately $19,313,000 and $23,015,000, respectively, has been recorded to record anticipated recoveries from insurance companies.

The System is self-insured for employee healthcare costs. MVHS has obtained a stop loss policy for healthcare costs to supplement its self-insurance coverage. Claims are accrued based upon the System's estimates of the aggregate liability for claims incurred using certain actuarial assumptions used in the insurance industry and based on the System's experience.

FSLH and certain other System affiliates are enrolled in a high deductible insurance plan for employee workers' compensation and disability claiMs. SEMC is self-insured for employee workers' compensation and disability claiMs. As required by the State of New York Workers' Compensation Board, FSLH and SSEMC have purchased letters of credit to guarantee payment of workers' compensation claiMs.

Pension

SEMC has a noncontributory defined benefit pension plan (the "Plan") covering substantially all of its full-time employees prior to April 1, 2013. Benefits are based on compensation and years of service. In 2003, SEMC applied for and received a favorable determination that its defined benefit plan is classified as a church-sponsored retirement plan under Section 410(d) of the Internal Revenue Code. Therefore, SEMC's Plan is not subject to ERISA funding requirements SEMC has elected to contribute the minimum amounts calculated as if the plan were subject to ERISA funding requirements. Effective December 31, 2010, SEMC's Plan was amended to freeze benefit accruals for non-bargaining unit members. Effective January 1, 2012, SEMC's Plan was amended to freeze benefit accruals for the employees of one of the collective bargaining units. Effective April 1, 2013, SEMC's Plan was amended to freeze benefit accruals for the final collective bargaining unit. Based on the actuarial valuation, SEMC's Plan was under-funded as of December 31, 2018 and 2017. The funded level as of December 31, 2018 and 2017 was 57.9% and 58.9%, respectively. In 2018, SEMC contributed $4.2 million to the Plan. SEMC's internal funding policy requires annual plan funding equal to annual benefit costs.

LITIGATION MATTERS

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. The health care industry is highly regulated and subject to numerous state, federal and local laws and regulations. Compliance with these laws and regulations can be subject to future government review and interpretation. However, at this time MVHS management knows of no claims, which have not been asserted at this time, which could have a

material adverse effect on the System's future financial position or materially negatively impact the operations or cash flows.

Currently the System is involved in medical malpractice lawsuits as well as some employment law litigation, all of which are anticipated to be defensible or to result in losses covered by insurance.

The System is also involved in litigation involving the co-generation facility located on the Faxton-St. Luke's campus. Faxton-St. Luke's was sued by Burrstone Energy Center, LLC for alleged breach of contract in 2014 in connection with the Energy Services Agreement that the parties entered into in 2007. This breach of contract claim is not covered by insurance. While the System believes the case is defensible, it has entered into settlement negotiations to limit any potential exposures. MVHS does not anticipate that the case will have a material adverse effect on the System's future financial position.

In May, 2019, several local residents and businesses (the "Plaintiffs") filed a lawsuit against the City of Utica Planning Board, the New York State Office of Parks, Recreation and Historic Preservation, and the Dormitory Authority of the State of New York (collectively, the "Agencies") and the System challenging the Agencies' review of the historic/cultural, archeological and environmental impacts (the "Historic and Environmental Reviews") of the New Hospital Project. New York State law requires that these Historic and Environmental Reviews be completed before public agencies may approve the New Hospital Project. The Plaintiffs seek a judgment declaring that the Historic and Environmental Reviews are invalid and an order directing the Agencies and the System to resume the Historic and Environmental Review process including further testing, consideration of alternatives, and development of avoidance/mitigation plans.

In June, 2019, the Agencies and the System filed a motion to dismiss the Plaintiffs' lawsuit on the basis that the Historic and Environmental Reviews were not final when the Plaintiffs filed their lawsuit so the matter was not ripe for judicial review. The Court has not yet ruled on the Plaintiffs' request for a declaratory judgment or the Agencies' and the System's motion to dismiss.

The Historic and Environmental Reviews became reviewable by the courts on September 19, 2019, when the Utica Planning Board issued site plan approval for the New Hospital Project. If the Court were to dismiss the Plaintiffs' lawsuit on the basis that the matter was not ripe for judicial review, the Plaintiffs could commence another lawsuit challenging the Historic and Environmental Reviews now that a decision has been made that renders those reviews justiciable.

The System believes the Historic and Environmental Reviews were properly completed in accordance with all legal requirements and are therefore valid. In the unlikely event the Court declares the Historic and Environmental Reviews to be invalid, and this decision is upheld upon any appeal by the Agencies and the System, the Agencies and the System may be required to reopen their Historic and Environmental Reviews and proceed with further testing, consideration of alternatives, and/or development of additional avoidance/mitigation plans. If this were to occur the New Hospital Project may be delayed while the additional review process is completed, but the System believes the results of any further Historic and Environmental Review process would not materially affect the System's ability to complete the New Hospital Project.

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APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MOHAWK VALLEY HEALTH SYSTEM AND ITS SUBSIDIARIES

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MOHAWK VALLEY HEALTH SYSTEM
AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

December 31, 2018 and 2017

Fust Charles Chambers LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mohawk Valley Health System:

We have audited the accompanying consolidated financial statements of Mohawk Valley Health System and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017 and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

5784 Widewaters Parkway — Syracuse, NY 13214 — P: 315-446-3600 — F: 315-446-3899 — www.fcc-cpa.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mohawk Valley Health System and Subsidiaries as of December 31, 2018 and 2017 and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 56 - 59 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Fust Charles Chambers LLP

June 20, 2019

MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents	$ 25,272,835	21,959,220
Escrow deposit	1,101,612	590,222
Investments and assets limited as to use	102,759,571	101,778,128
Patient accounts receivable, net	63,639,471	64,527,574
Other current assets	13,406,637	11,969,951
Inventories	13,197,859	12,680,327
Prepaid expenses	4,461,851	4,433,079
Due from affiliates, net	525,215	330,248
Total current assets	224,365,051	218,268,749
Assets limited as to use	2,484,824	5,388,469
Investments	4,528,164	4,528,164
Property and equipment, net	157,592,357	150,039,058
Other assets	25,054,585	29,271,766
Total assets	$ 414,024,981	407,496,206

Liabilities and Net Assets	2018	2017
Current liabilities:		
Current portion of long-term debt	$ 4,325,626	4,927,527
Current portion of capital lease obligations	2,577,579	3,025,798
Accounts payable and accrued expenses	39,592,474	39,570,037
Accrued payroll, payroll taxes and benefits	23,692,657	22,610,695
Current portion of estimated self-insured liabilities	6,200,756	7,292,215
Estimated third-party payor settlements, net	5,142,798	4,037,874
Other current liabilities	6,491,054	6,492,640
Total current liabilities	88,022,944	87,956,786
Long-term debt, net of current portion:		
Notes payable	35,261,577	3,520,112
Civic facility revenue bonds	12,735,615	36,188,799
Capital lease obligations	7,486,079	3,912,426
Total long-term debt, net of current portion	55,483,271	43,621,337
Accrued pension liability	47,940,922	49,248,716
Other liabilities	36,684,123	39,881,629
Estimated self-insured liabilities, net of current portion	11,233,322	11,332,704
Total liabilities	239,364,582	232,041,172
Net assets:		
Without donor restrictions	158,626,770	165,230,990
With donor restrictions	16,033,629	10,224,044
Total net assets	174,660,399	175,455,034
Commitments and contingencies (notes 4, 8 and 11)		
Total liabilities and net assets	$ 414,024,981	407,496,206

See accompanying notes to consolidated financial statements.

MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2018 and 2017

	2018	2017
Revenues, gains and other support without donor restrictions:		
Patient service revenue, net	$ 504,324,147	515,671,178
Provision for bad debts	-	(15,113,615)
Net patient service revenue less provision for bad debts	504,324,147	500,557,563
Premium revenue	20,832,327	17,905,012
Other operating revenue	32,070,139	27,052,852
Net assets released from restrictions used for operations	1,157,957	724,888
Total revenues, gains and other support without donor restrictions	558,384,570	546,240,315
Expenses:		
Salaries and wages	268,699,755	265,641,318
Employee benefits	50,525,016	48,858,112
Supplies and other	217,561,085	203,919,047
Depreciation and amortization	23,633,459	25,826,762
Interest	2,506,299	2,975,131
New York State gross receipts taxes	2,483,764	2,473,317
Total expenses	565,409,378	549,693,687
Net loss from operations	(7,024,808)	(3,453,372)
Other revenue (expense):		
Contributions and other	(437,679)	241,879
Investment income, net of fees	13,844,021	3,254,885
Total other revenue, net	13,406,342	3,496,764
Excess of revenues over expenses	$ 6,381,534	43,392

(Continued)

MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets, Continued

	2018	2017
Changes in net assets without donor restrictions:		
Excess of revenues over expenses	$ 6,381,534	43,392
Change in fair value of interest rate swaps	643,411	561,675
Change in net unrealized gains and losses on investments	(11,462,015)	11,481,137
Net assets released from restrictions for capital acquisitions	205,103	864,779
Contributions used for capital acquisitions	354,953	-
Pension related changes other than net periodic pension cost	21,877	(3,608,969)
Other components of net periodic benefit cost	(2,749,083)	(2,429,633)
Increase (decrease) in net assets without donor restrictions	(6,604,220)	6,912,381
Changes in net assets with donor restrictions:		
Contributions	1,431,571	1,671,603
Change in net unrealized gains and losses on investments and assets limited as to use	(407,883)	134,268
Interest income and dividends, net of fees	16,519	15,581
Interest income on net assets with donor restrictions	-	172,994
Change in value of beneficial interest in charitable trusts	(3,038)	(7,109)
Net realized gains on investments and assets limited as to use	148,004	47,714
Grant for capital acquistions	5,987,472	-
Net assets released from restrictions	(1,363,060)	(1,589,667)
Increase in net assets with donor restrictions	5,809,585	445,384
Total increase (decrease) in net assets	(794,635)	7,357,765
Net assets at beginning of year	175,455,034	168,097,269
Net assets at end of year	$ 174,660,399	175,455,034

See accompanying notes to consolidated financial statements.

MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (794,635)	7,357,765
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	23,633,459	25,826,762
Amortization of debt issuance costs	91,881	113,991
Provision for bad debts	-	15,294,230
Change in net unrealized gains and losses on investments and assets limited as to use	11,869,898	(11,615,405)
Pension related changes other than net periodic pension cost	(21,877)	3,608,969
Other components of net periodic pension cost	2,749,083	2,429,633
Change in fair value of interest rate swaps	(643,411)	(561,675)
Amortization of unearned lease income	(149,409)	(149,409)
Net realized gains on sale of investments and assets limited as to use	(12,561,776)	(2,170,291)
Gain on disposition of property and equipment	(11,605)	(22,762)
Change in grants receivable	(1,092,972)	86,480
Contributions used for and of capital acquisitions	(560,056)	(101,367)
Loss on bond refunding	553,111	-
Restricted grants received	(4,894,500)	-
Changes in operating assets and liabilities:		
Patient receivables	888,103	(20,216,807)
Accrued pension liability	(4,035,000)	(3,605,200)
Due from affiliates, net	(194,967)	(79,379)
Inventories, prepaid expenses and other assets	(1,898,462)	(1,903,128)
Accounts payable, accrued expenses and other liabilities	1,011,099	4,143,046
Estimated self-insured liabilities	(1,190,841)	304,165
Estimated third-party payor settlements, net	1,104,924	758,934
Net cash provided by operating activities	13,852,047	19,498,552
Cash flows from investing activities:		
Purchases of property and equipment	(23,168,338)	(13,568,686)
Proceeds from sale of property and equipment	504,930	22,762
Changes in assets limited as to use, net	2,717,977	(122,060)
Changes in investments, net	(103,897)	7,300,421
Increase in escrow deposit	(511,390)	(12,255)
Change in other assets	962,288	(366,492)
Net cash used in investing activities	(19,598,430)	(6,746,310)

(Continued)

MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidated Statement of Cash Flows, Continued

	2018	2017
Cash flows from financing activities:		
Proceeds from long-term debt	34,005,755	-
Principal payments on long-term debt and capital lease obligations	(30,947,429)	(8,978,687)
Grant proceeds received for capital acquisitions	4,894,500	-
Minimum direct financing lease payments received	547,116	547,116
Contributions used for capital acquisitions	560,056	101,367
Net cash provided by (used in) financing activities	9,059,998	(8,330,204)
Increase in cash and cash equivalents	3,313,615	4,422,038
Cash and cash equivalents at beginning of year	21,959,220	17,537,182
Cash and cash equivalents at end of year	$ 25,272,835	21,959,220

See accompanying notes to consolidated financial statements.

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Organization

The consolidated financial statements include the accounts of Mohawk Valley Health System (MVHS) and subsidiaries (the Corporation). The Corporation is a not-for-profit health care delivery system providing inpatient, outpatient, emergency care, cancer treatment, rehabilitation, laboratory, dialysis, maternity, childcare, long term care, home care, surgical, psychiatric and community services to residents of the Mohawk Valley region.

MVHS is the sole corporate member of Faxton-St. Luke's Healthcare (Healthcare), St. Elizabeth Medical Center (Medical Center), St. Luke's Home Residential Health Care Facility, Inc. d/b/a MVHS Rehabilitation and Nursing Center (Home), Senior Network Health, LLC (SNH), Visiting Nurse Association of Utica and Oneida County, Inc. (VNA), Mohawk Valley Health System Foundation (MVHS Foundation) and Mohawk Valley Home Care, LLC (MVHC). The Corporation is governed by a self-perpetuating Board of Directors.

Effective December 31, 2018, Faxton-St. Luke's Healthcare Foundation's name was changed to Mohawk Valley Health System Foundation (MVHS Foundation) and MVHS became the sole corporate member. Prior to December 31, 2018, Healthcare was the sole corporate member. Therefore, the accompanying balance sheets, statements of operations and changes in net assets, and statements of cash flows are presented as if MVHS was the sole corporate member of MVHS Foundation for the periods presented.

The Medical Center includes the accounts of St. Elizabeth Medical Center Foundation, Inc. (SEMC Foundation), of which the Medical Center is the sole corporate member.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(b) New Accounting Guidance

On January 1, 2018, the Corporation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model and applied these changes retrospectively, as applicable. The existing three category classification of net assets has been replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." The guidance for classifying deficiencies in endowment funds and on accounting for the lapsing of restrictions on gifts to acquire property and equipment have also been simplified and clarified. New disclosures have been incorporated to highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. The ASU also imposes several new requirements related to reporting expenses. The ASU was effective for fiscal years beginning after December 15, 2017. As a result of adopting this standard, certain prior year amounts were reclassified to conform to the presentation requirements.

A summary of the net asset reclassifications resulting from the adoption of ASU 2016-14 to the December 31, 2017 consolidated financial statements is as follows:

Net assets classifications		Without donor restrictions	With donor restrictions	Total net assets
As previously presented:				
Unrestricted	$	165,230,990	-	165,230,990
Temporarily restricted		-	4,668,327	4,668,327
Permanently restricted		-	5,555,717	5,555,717
Net assets as reclassified	$	165,230,990	10,224,044	175,455,034

(Continued)

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(b) New Accounting Guidance, Continued

On January 1, 2018, the Corporation adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Corporation adopted ASU 2014-09 effective for the year ended December 31, 2018 following the modified retrospective method of application, and as such the prior period financial statements have not been adjusted for the adoption of ASU 2014-09. As a result of implementing ASU 2014-09, certain patient activity where collection is uncertain previously reported as patient service revenue and provision for bad debts in the Corporation's consolidated statement of operations and changes in net assets no longer meets the criteria for revenue recognition and, accordingly, provision for bad debts after the adoption date is significantly reduced with a corresponding reduction to patient service revenue. Such patient activity is classified as an implicit price concession. Additionally, provision for bad debts as applicable is now presented as an expense item (included as a component of supplies and other expenses) rather than a reduction to patient service revenue. Other aspects of the Corporation's implementation of ASU 2014-09 impacting patient service revenue include judgements regarding collection analyses and estimates of variable consideration and the addition of certain qualitative and quantitative disclosures. The adoption of ASU 2014-09 did not have a material impact in relation to other applicable revenue activity.

On January 1, 2018, the Corporation early adopted ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,* which requires an employer to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period (i.e. employee benefits expense). The other components of net benefit cost are required to be presented in the consolidated statements of operations and changes in net assets separately from the service cost component and outside the performance indicator, excess of revenues over expenses. ASU 2017-07 is effective for financial statements issued for fiscal years beginning after December 15, 2018 and is to be applied on a retrospective basis for all previous periods presented with early adoption permissible. The retrospective adoption of ASU 2017-07 resulted in a reclassification of $2,429,633 of net benefit cost from employee benefits expense to other components of net periodic benefit cost and increase of $2,429,633 in excess of revenues over expenses on the consolidated statements of operations and changes in net assets for the year ended December 31, 2017, but had no effect on net assets without donor restrictions as of December 31, 2017.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(c) Basis of Accounting

The accompanying consolidated financial statements include the accounts of MVHS, Healthcare, Medical Center, Home, SNH, VNA, MVHS Foundation and MVHC. For financial statement reporting purposes, MVHS is considered the reporting entity. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

(d) Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Collective Bargaining Agreements

At December 31, 2018, the Corporation has approximately 58% of its employees working under collective bargaining agreements. Certain agreements expire in June 2019 and 2020.

(f) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturity of three months or less, excluding temporary investments included in escrow deposit, investments and assets limited as to use.

(g) Escrow Deposit and Contingent Reserve

SNH is required by the New York State Insurance Department to maintain an escrow deposit equal to the greater of five percent of the current year's projected medical expenses or $100,000. SNH must also maintain positive net worth (member's equity) equal to or in excess of at least twelve and one half percent and twelve and one quarter percent of its net premium revenue in 2018 and 2017, respectively. At December 31, 2018 and 2017, SNH was in compliance with both requirements.

(Continued)

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(h) Investments and Assets Limited as to Use

Investments, assets limited as to use and pension plan assets are reported at fair value. FASB ASC 820, Fair Value Measurement (FASB ASC 820), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 15 for discussion on fair value measurements.

Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses since none of the investments are classified as trading securities.

Certain investments that do not have readily determinable fair values are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient permitted under FASB ASC 820.

The Corporation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Corporation's net assets.

The Corporation reviews investments for other-than-temporary impairment whenever the fair value of an investment is less than amortized cost and evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time. In the evaluation of whether an impairment is other-than-temporary, the Corporation considers the reasons for the impairment, its ability and intent to hold the investment until the market price recovers or the investment matures, compliance with its investment policy, the severity and duration of the impairment, and expected future performance.

The Corporation's investments in common stocks, mutual funds and pooled investment funds consist of investments diversified in several different industries. The Corporation evaluated the near-term prospects of the issuer in relation to the severity and duration of impairment. Based upon the evaluation and the Corporation's ability and intent to hold the securities for a reasonable period of time sufficient for a forecasted recovery of fair value, the Corporation does not consider the securities in an unrealized loss position to be other-than-temporarily impaired at December 31, 2018 and 2017.

(Continued)

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(i) Inventories

Inventories are stated at the lower of average cost or net realizable value.

(j) Property and Equipment

Property and equipment acquisitions are recorded at cost, if purchased, or at fair value at the date of acquisition when acquired by gift. Depreciation is calculated over the estimated useful life of each class of depreciable asset ranging from 2 - 40 years using the straight-line method. Property and equipment under capital leases and leasehold improvements are amortized on the straight-line method over the lesser of the lease term or the estimated useful life of the asset. Amortization of equipment under capital leases and leasehold improvements is included in depreciation and amortization expense.

Gifts of long-lived assets, such as land, buildings or equipment are reported as contributions without donor restrictions and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(k) Unamortized Debt Issuance Costs

Debt issuance costs are amortized using the straight-line method, which approximates the effective interest method over the terms of the related debt obligations. In connection with the refunding of the Oneida County Industrial Development Agency Civic Facility Revenue Bonds, Series 1999-A and Series 1999-B, and the Oneida County Industrial Development Agency Multi-Mode Variable Rate Civic Facility Revenue Bonds, Series 2006-A outlined in note 8, the Medical Center wrote off approximately $553,000 of unamortized debt issuance costs related to the refunded bonds. At December 31, 2018 and 2017, accumulated amortization on the debt issuance costs was approximately $386,000 and $1,638,000, respectively. Amortization expense amounted to approximately $92,000 and $114,000 in 2018 and 2017, respectively, and is included in interest expense within the consolidated statements of operations and changes in net assets.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(l) Insurance Claims and Related Recoveries

The Corporation recognizes liabilities associated with malpractice claims or similar contingent liabilities when the incidents that give rise to the claims occur. Further, the liability shall not be presented net of anticipated insurance recoveries. Any amounts expected to be reimbursed from an insurance company are presented in other assets.

(m) Contributions and Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional contributions or intents to give are recorded at fair value when donor-imposed stipulations have been substantially met. Such contributions are reported as net assets with donor contributions if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions with donor restrictions and net assets released from restrictions in the consolidated statements of operations and changes in net assets.

The Corporation records contributions that are due in future periods as pledge receivables. Contributions that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. In subsequent years, this discount is accreted and recorded as additional contribution revenue in accordance with donor imposed restrictions, if any.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(n) Classification of Net Assets

Net assets without donor restrictions are available for general use and not subject to donor-imposed restrictions. These net assets may be used at the discretion of the Corporation's management and board of directors and may be subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investments, contingencies, purchases or other uses. Net assets without donor restrictions and without board-designation are known as undesignated net assets. The board of directors has designated certain net assets without donor restriction for the following uses:

Designated by the SEMC Foundation Board - Investments designated to provide financial support to the Medical Center for operational needs as they arise.

Net assets with donor restrictions are those that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and are limited by donors to a specific time period or purpose. Other donor restrictions are perpetual in nature, as stipulated by the donor.

(o) Net Assets with Donor Restrictions (Endowment Funds)

The Corporation maintains various donor-restricted and board-designated funds whose purpose is to provide long-term support for its charitable programs. In classifying such funds for consolidated financial statement purposes as either with donor restrictions or without donor restrictions, the Board of Directors looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York. To constitute an endowment under New York State law, the restriction must arise from a clearly expressed donor limitation, not a limitation from within the beneficiary organization. The Board of Directors has determined that, absent donor stipulations to the contrary, the provisions of New York State law do not impose donor restrictions on the income or capital appreciation derived from the original gift. Therefore, all income and appreciation derived from the original gift are transferred to net assets without donor restrictions absent any restrictions on the use made by the donor. Net assets with donor restrictions consist of endowment funds and are included in the consolidated balance sheets as assets limited as to use and long-term investments.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(o) Net Assets with Donor Restrictions (Endowment Funds), Continued

The Corporation utilizes an investment strategy that emphasizes preservation of principal and total return consistent with prudent levels of risk. Investments are allocated over a diversified portfolio of multiple asset classes.

Interpretation of Relevant Law

The Corporation is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA) and, thus, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Certain of these net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted NYPMIFA as requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Corporation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, (b) the portion of investment return added to the fund to maintain its purchasing power and (c) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Corporation has interpreted NYPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with NYPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization
8. Where appropriate, alternatives to spending from the endowment fund and the possible effects of those alternatives on the organization

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(o) Net Assets with Donor Restrictions (Endowment Funds), Continued

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Corporation to retain as a fund of perpetual duration. If the situation were to occur, the deficiency would be recorded in the Corporation's net assets with donor restrictions. A deficiency did not exist at December 31, 2018 or 2017.

Return Objectives, Strategies, Spending Policy and Investment Objectives

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Under this policy, as approved by the Board of Directors, the endowment assets are to be invested in a well-diversified asset mix that can be expected to generate acceptable long-term returns at an acceptable level of risk. The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments and bonds to achieve its long-term return objectives within prudent risk constraints.

The Corporation has a policy of immediately making available for expenditure and recording as without donor restrictions the current yield (interest and dividends) of donor-restricted endowments as earned during the year to purchase capital assets or to support health care services based on the donor's request and that preserves the endowments purchasing power through maintaining all capital appreciation (realized and unrealized) within the endowment funds.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(o) Net Assets with Donor Restrictions (Endowment Funds), Continued

Changes in Endowment Net Assets

	2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1	$ 3,025,806	5,973,881	8,999,687
Contributions	-	38,974	38,974
Investment return:			
Investment income	79,279	151,832	231,111
Net loss (realized and unrealized)	(298,481)	(548,794)	(847,275)
Net assets released from restrictions	-	(119,411)	(119,411)
Endowment net assets, December 31	$ 2,806,604	5,496,482	8,303,086

	2017		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1	$ 2,641,926	5,734,853	8,376,779
Contributions	-	82,797	82,797
Investment return:			
Investment income	76,555	112,264	188,819
Net gain (realized and unrealized)	307,325	547,426	854,751
Transfer of earnings over historical value	-	(490,359)	(490,359)
Net assets released from restrictions	-	(13,100)	(13,100)
Endowment net assets, December 31	$ 3,025,806	5,973,881	8,999,687

(Continued)

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(p) Patient Service Revenue and Patient Accounts Receivable

Effective January 1, 2018 upon the adoption of ASU 2014-09, patient service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient care services, outpatient (physician practices, emergency department, home care, clinics and ambulatory care center) services or skilled nursing services. The Corporation measures the performance obligation from admission into an inpatient stay facility or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. The Corporation measures the performance obligation when the service is provided for skilled nursing services.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to in-house acute care at the end of the reporting period. The performance obligations for in-house acute care patients are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(p) Patient Service Revenue and Patient Accounts Receivable, Continued

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

The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation's policy, and implicit price concessions provided to uninsured patients. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Corporation determines its estimate of implicit price concessions based on its historical collection experience with uninsured patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors are as follows:

Medicare - Generally, inpatient acute care and outpatient services are paid at prospectively determined rates per discharge, day or visit based on clinical, diagnostic, and other factors. Physician services are paid based upon established fee schedules.

Medicaid - Inpatient acute care and outpatient services are paid at prospectively determined rates promulgated by the New York State Department of Health.

Commercial and Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(p) Patient Service Revenue and Patient Accounts Receivable, Continued

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the year ended December 31, 2018, revenue due to changes in estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years was not significantly impacted. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as provision for bad debts.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Corporation.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the estimated settlements increased patient service revenue by approximately $841,000 and $3,846,000 in 2018 and 2017, respectively.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(p) Patient Service Revenue and Patient Accounts Receivable, Continued

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

The Corporation determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. The following tables provide details of these factors.

The composition of patient service revenue by primary payor for the year ended December 31, 2018 is as follows:

	Government payors	Commercial insurance and others	Self-pay	Total
Patient service revenue	$ 319,441,436	176,674,969	8,207,742	504,324,147

Revenue from patient's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of patient service revenue based on line of business for the year ended December 31, 2018 is as follows:

Inpatient	$ 194,280,341
Outpatient	293,714,728
Skilled nursing facility	16,329,078
	$ 504,324,147

(Continued)

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(p) Patient Service Revenue and Patient Accounts Receivable, Continued

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

The composition of patient service revenue by primary payor for the year ended December 31, 2017 is as follows:

	Government payors	Commercial insurance and others	Self-pay	Total
Patient service revenue (net of contractual allowances and discounts)	$ 322,368,792	180,870,605	12,431,781	515,671,178
Provision for bad debts				(15,113,615)
Patient service revenue				$ 500,557,563

Patient Accounts Receivable

At December 31, 2018, patient accounts receivable is comprised of the following components:

Patient receivables	$ 59,997,466
Contract assets	3,642,005
	$ 63,639,471

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

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(p) Patient Service Revenue and Patient Accounts Receivable, Continued

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Corporation grants unsecured credit to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

	2018	2017
Medicare	41%	44%
Medicaid	19%	20%
Private payors	11%	7%
Insurance and all others	29%	29%
	100%	100%

The Corporation's allowance for doubtful accounts was not significant at December 31, 2018. The allowance for doubtful accounts was approximately $15,497,000 at December 31, 2017.

(q) Premium Revenue

SNH administers an agreement with New York State to provide a long-term care services benefit package to dually-eligible Medicare/Medicaid recipients under a partial risk contract. Under this agreement, SNH receives monthly capitation payments based on the number of enrollees, regardless of services actually performed. The agreement allows for retroactive adjustments to the monthly capitation rate.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(r) Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Corporation does not pursue collection of such amounts, they are not reported as net patient service revenue. During 2018 and 2017, costs incurred by the Corporation in the provision of charity care were based on the ratio of the Corporation's costs to gross charges and approximated $897,000 and $1,296,000, respectively.

(s) Delivery System Reform Incentive Payment Program

In April 2014, the Governor of the State of New York announced federal approval of a Medicaid 1115 waiver amendment that enabled the State to reinvest $8 billion in federal savings generated by Medicaid Redesign Team (MRT) reforms into the State's health care system. The Delivery System Reform Incentive Payment (DSRIP) program promotes community-level collaborations and focus on systems reform, specifically a goal to achieve a 25 percent reduction in avoidable hospital use over five years.

Certain members of the Corporation are members in the CNY Care Collaborative (CNYCC) organized under the DSRIP program. The involvement with the CNYCC is to implement care transformation in patient care services. Funding for CNYCC is based on the members' collective success in reporting and achieving predefined results in system transformation, clinical management, and population health. Certain payments under the DSRIP program are subject to meeting specified performance criteria and other requirements which may be evaluated in future periods. The Corporation recorded approximately $7,125,000 and $4,082,000 during 2018 and 2017, respectively, as other operating revenue on the consolidated statements of operations and changes in net assets.

(t) MLMIC Distribution

On October 2, 2018, the demutualization of MLMIC Insurance Company and ownership transfer to National Indemnity Company, a Berkshire Hathaway Company, was finalized for consideration of approximately $2.5 billion. The transaction resulted in cash payments to eligible policyholders, or their designees, with policies in effect from July 15, 2013 through July 14, 2016. In connection with this transaction and their MLMIC policy during this period, the Corporation's portion was approximately $13,512,000, of which approximately $11,630,000 was received as a cash distribution and is recorded as investment income on the consolidated statement of operations and changes in net assets. As part of the transaction, the Corporation erroneously had tax withholdings of approximately $1,200,000, which is recorded in other current assets in the consolidated balance sheet at December 31, 2018. The Corporation expects to receive payment during 2019. At December 31, 2018, approximately $1,882,000 is recorded as a liability for payment related to certain physician policies under review.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(u) Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets with donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include changes in unrealized gains and losses on investments other than trading securities, the effective portion of gains and losses on derivative instruments, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension liability adjustments in accordance with FASB ASC Subtopic 715-30, Compensation- Retirement Benefits, Defined Benefit Plans - Pension.

(v) Income Taxes

The Corporation, except SNH and MVHC, are not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

MVHC and SNH are single member New York State limited liability companies. Accordingly, they are treated as disregarded entities for tax purposes and are considered divisions of MVHS.

As of December 31, 2018 and 2017, the Corporation did not have any unrecognized tax benefits or any related accrued interest or penalties. The tax years open to examination by federal and state taxing authorities are 2015 through 2018. The Corporation does not anticipate the total unrecognized tax benefits will change in the next twelve months.

(w) Concentration of Credit Risk

The Corporation invests cash and cash equivalents with financial institutions, and has determined that the amount of credit exposure at any one financial institution is immaterial to the Corporation's financial position.

(x) Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 consolidated financial statement presentation.

(y) Subsequent Events

Subsequent events have been evaluated through June 20, 2019, which is the date consolidated financial statements were issued.

(2) Liquidity and Availability of Financial Assets

As of December 31, 2018, financial assets available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Cash and cash equivalents	$ 25,272,835
Investments and assets limited as to use	102,759,571
Patient accounts receivable, net	63,639,471
Pledges receivable	106,231
Other current assets	13,300,406
Due from affiliates, net	525,215
Total financial assets	205,603,729
Less amounts not available to be used within one year:	
Assets limited as to use - held in escrow	(704,792)
Other assets	(4,983,903)
Financial assets not available to be used within one year	(5,688,695)
Financial assets available to meet general expenditures within one year	$ 199,915,034

Included above within investments and assets limited as to use is approximately $2,807,000 in board-designated funds as of December 31, 2018. These funds could be drawn upon if the governing board approves such action.

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

In the event of an unanticipated liquidity need, the Corporation could draw upon a revolving note payable or lines-of-credit (note 7).

(3) Investments and Assets Limited as to Use

At December 31, investments and assets limited as to use, at fair value, are comprised of the following:

	2018	2017
Assets limited as to use:		
Held in escrow - cash and cash equivalents	$ 704,792	703,258
Under bond indenture agreements:		
Commercial paper	$ -	2,487,357
Less current portion for bond interest fund	-	55,316
Debt service reserve fund - long-term	-	2,432,041
Restricted by donors:		
Cash and cash equivalents	564,266	804,650
Common stock	1,177,198	1,053,293
Exchange traded funds	-	253,955
Mutual funds	535,918	813,373
Government and agency obligations	19,163	31,157
Domestic corporate bonds	188,279	-
Total restricted by donors	2,484,824	2,956,428
Total assets limited as to use - long-term	$ 2,484,824	5,388,469

	2018	2017
Investments:		
Cash and cash equivalents	$ 2,129,501	5,142,551
Certificates of deposit	-	19,994
Common stock	2,780,235	3,331,205
Exchange traded funds	1,041,468	601,122
Mutual funds	73,992,930	71,043,196
Pooled investment funds	25,156,827	28,291,893
Domestic corporate bonds	3,805,937	1,911,874
Government and agency obligations	12,356	320,510
Total investments	$ 108,849,254	110,662,345

(Continued)

(3) Investments and Assets Limited as to Use, Continued

The above amounts are included in the accompanying consolidated financial statements as follows:

	2018	2017
Cash and cash equivalents	$ 1,164,699	4,524,405
Escrow deposit	1,101,612	590,222
Investments and assets limited as to use - current assets	102,759,571	101,778,128
Assets limited as to use - long term	2,484,824	5,388,469
Investments - long term	4,528,164	4,528,164
	$ 112,038,870	116,809,388

(4) Property and Equipment

Property and equipment is comprised of the following at December 31:

	2018	2017
Land and land improvements	$ 17,081,815	17,715,158
Buildings and improvements	226,915,552	227,872,651
Fixed equipment	101,189,345	108,991,580
Movable equipment	149,582,652	195,967,563
Property and equipment under capitalized leases	44,471,079	21,834,224
	539,240,443	572,381,176
Less accumulated depreciation and amortization	(410,681,516)	(431,007,517)
	128,558,927	141,373,659
Construction-in-progress	29,033,430	8,665,399
Property and equipment, net	$ 157,592,357	150,039,058

In April 2017, MVHS was notified by the New York State Department of Health of an award of $300 million granted under the Statewide Healthcare Facility Transformation Program. This award will be used by MVHS to consolidate inpatient care from Healthcare and the Medical Center into one, new integrated health campus. The cost projection for the new campus is estimated to be $498 million for a 670,000 square foot facility. The remaining $198 million will come from MVHS capital, bonds and fundraising. The planning and construction for this project is expected to take approximately five years. Approximately $15,912,000 and $6,431,000 is included within construction-in-progress related to the new integrated healthcare facility at December 31, 2018 and 2017, respectively. MVHS has signed certain contracts related to the project, which include commitments of approximately $17.3 million at December 31, 2018.

Depreciation and amortization expense amounted to approximately $23,633,000 and $25,827,000 for the years ended December 31, 2018 and 2017, respectively.

(5) Direct Financing Lease

In 2001, Healthcare completed construction of a medical office building with a cost of approximately $5 million on land owned by an affiliate of Slocum-Dickson Medical Group, P.C. (SDMG). The building is leased to SDMG under a direct financing lease for minimum lease payments of approximately $45,000 per month through November 2021.

The direct financing lease, included in other assets in the consolidated balance sheets, at December 31 is as follows:

	2018	2017
Minimum lease payments receivable	$ 1,576,783	2,123,899
Unearned lease income	(168,128)	(286,933)
Net investment in direct financing lease	1,408,655	1,836,966
Less current portion, included in other current assets	547,116	547,116
Long-term net investment in direct financing lease, included in other assets	$ 861,539	1,289,850

(6) Extended Sick Leave

Certain Corporation employees are permitted to accumulate unused extended sick leave time up to specified maximum amounts. The Corporation accrues the estimated expense related to extended sick leave based on pay rates currently in effect. Upon retirement, employees who have met certain criteria shall have the option to receive payment or receive sick leave credits to pay for post-employment health insurance payments based upon the formula in place. The Corporation has accrued an estimated liability of approximately $11,519,000 and $11,495,000 at December 31, 2018 and 2017, respectively, for these anticipated termination payments.

Amounts are included in the accompanying consolidated financial statements as follows at December 31:

	2018	2017
Accrued payroll, payroll taxes and benefits	$ 752,000	660,000
Other liabilities - long-term	10,767,000	10,835,000
	$ 11,519,000	11,495,000

(Continued)

(7) Short-Term Borrowings

At December 31, 2018 and 2017, the Medical Center had a line of credit with a lender which provides for borrowings up to $6,000,000 secured by the Medical Center's College of Nursing building and up to $7,000,000 of eligible accounts receivable, as defined. Borrowings against this line of credit are payable on demand and bear interest at the lender's prime rate. There were no borrowings on the line as of December 31, 2018 and 2017.

At December 31, 2018 and 2017, Healthcare had a $24,500,000 revolving note payable with a bank, collateralized by certain investments. The revolving note payable on short-term borrowings bears a daily interest rate at prime (5.50% at December 31, 2018). The revolving note payable on long-term borrowings bears a monthly interest rate at 1 month LIBOR plus 95 basis points (3.47% at December 31, 2018). The revolving note payable is available through July 2019. At December 31, 2018, a portion of the revolving note payable was reserved for four letters of credit totalling approximately $8,437,000 primarily related to self-insured liabilities. At December 31, 2018 and 2017, Healthcare had no amounts outstanding on the revolving note payable. The revolving note payable contains financial covenants including a debt service coverage ratio requirement, a days cash on hand requirement and a minimum unrestricted liquidity to funded debt ratio. At December 31, 2018 and 2017, Healthcare was in compliance with the covenants that are considered events of default.

(8) Long-Term Debt and Lease Obligations

Long-term debt consists of the following at December 31:

	2018	2017
Term loan (a)	$ 13,652,914	-
Term loan (b)	21,179,000	-
Series 1999-A Bonds ($10,920,000 principal amount less unamortized discount of $56,981 at December 31, 2017) (c)	-	10,863,019
Series 1999-B Bonds ($5,240,000 principal amount less unamortized discount of $65,836 at December 31, 2017) (d)	-	5,174,164
Series 2006-A Bonds (e)	-	8,000,000
Variable rate demand 2006 Civic Facility Revenue Bonds (f)	13,780,000	14,520,000

(Continued)

(8) Long-Term Debt and Lease Obligations, Continued

	2018	2017
Term loan (g)	158,286	389,924
Loans payable to Sisters (h)	732,065	1,081,748
Note payable in monthly installments of $65,617 at a fixed rate of 2.6% maturing May 2021 (i)	1,903,278	2,630,096
Mortgage payable in monthly installments of $41,253 at a fixed rate of 5.5%, maturing January 2020 and collateralized by the related building	656,118	1,201,317
Note payable in monthly installments of $9,223 at a fixed rate of 4.0% maturing July 2020	168,882	270,461
Note payable in monthly installments of $9,137 at an adjustable fixed rate of 4.0% (through March 2021), maturing March 2026	687,701	767,697
Note payable in monthly installments of $27,664 at a fixed rate of 4.0%, matured October 2018	-	271,650
Note payable satisfied in April 2018 in conjunction with related interest rate swap	-	300,000
Capital lease obligations (interest rates ranging from 2.6% to 10.61%)	10,063,658	6,938,224
	62,981,902	52,408,300
Less unamortized debt issuance costs	(595,426)	(833,638)
Less current portion:		
Debt	(4,325,626)	(4,927,527)
Capital lease obligations	(2,577,579)	(3,025,798)
Long-term debt, net of current portion	$ 55,483,271	43,621,337

(Continued)

(8) Long-Term Debt and Lease Obligations, Continued

(a) In September 2018, the Medical Center joined the initial obligated group of Healthcare and MVHS as established by the Master Trust Indenture and amended by the First Amendment to the Master Trust Indenture. Under these agreements a Revolving Credit Agreement (term loan) with a financial institution was established, for an amount up to $60,000,000 to be used to provide interim financing for the new hospital project and the implementation of the Electronic Health Records (EHR). At December 31, 2018 there was approximately $13,653,000 outstanding on the term loan.

The term loan is secured through the Mohawk Valley Health System Obligated Group Facilities Revenue Bond, Series 2018K as issued pursuant to the Seventh Series Indenture under the Master Trust Agreement. Interest is payable monthly at an annual variable rate based on one-month LIBOR that resets at various points in the agreement (4.02% at December 31, 2018). Principal payments commence at the earlier of September 23, 2022 or one year after permanent financing is finalized which is expected to occur by 2020.

(b) A loan agreement (term loan) with a financial institution was established, for an amount of $21,665,000 to be used to refund the entire outstanding principal balance of certain outstanding bonds (c) (d) (e).

The term loan is secured through the Mohawk Valley Health System Obligated Group Facilities Revenue Bond, Series 2018J as issued pursuant to the Sixth Series Indenture under the Master Trust Agreement. Interest is payable monthly at an annual variable rate equal to the lower of the one-month LIBOR + 1.35% or the prime rate (3.85% at December 31, 2018). Principal payments began in December 2018 and are payable through December 2029.

(c) In April 1999, the Medical Center obtained financing of $15,000,000 through the placement of Oneida County Industrial Development Agency Civic Facility Revenue Bonds, Series 1999-A (the Series 1999-A Bonds). In September 2018, the Series 1999-A Bonds were refunded in conjunction with the issuance of the term loan (b).

(d) In June 1999, the Medical Center obtained additional financing of $15,000,000 through the placement of Oneida County Industrial Development Agency Civic Facility Revenue Bonds, Series 1999-B (the Series 1999-B Bonds). In September 2018, the Series 1999-B Bonds were refunded in conjunction with the issuance of the term loan (b).

(Continued)

(8) Long-Term Debt and Lease Obligations, Continued

(e) In June 2006, the Medical Center obtained additional financing of $14,000,000 through the placement of Oneida County Industrial Development Agency Multi-Mode Variable Rate Civic Facility Revenue Bonds Series 2006-A (the Series 2006-A Bonds). In September 2018, the Series 2006-A Bonds were refunded in conjunction with the issuance of the term loan (b).

(f) Healthcare, through the Oneida County Industrial Development Agency (OCIDA), has issued serial and term Civic Facility Revenue Bonds as follows:

Series	Term	Annual principal payments
Faxton-St. Luke's Healthcare:		
2006E - tax-exempt	2031	$285,000 - $525,000
2006F - taxable	2031	$440,000 - $955,000

The bonds are insured and are collateralized by Healthcare's gross receipts (as defined), including all rights to receive such receipts whether in the form of accounts receivable, contract rights or other rights. Healthcare entered into a lease agreement with OCIDA, which also acts as security for payment of the revenue bonds. Additional security is provided by a Master Trust Indenture under which the Members of the Obligated Group (Healthcare, Medical Center and MVHS) are jointly and severally responsible for payment of the bonds. Various agreements relating to the bonds establish covenants with which Healthcare has agreed to comply, including provisions regarding liquidity ratio, minimum debt service coverage ratio and liquidity to funded debt. At December 31, 2018 and 2017, the Obligated Group was in compliance with the covenants that are considered events of default.

The bonds bear interest based on one of three modes - the weekly rate, the term rate, or the fixed rate - for periods selected by Healthcare. The interest rate for each mode will be the current market interest rate as determined by the remarketing agent of the bonds. Healthcare used the weekly rate during 2018 and 2017. At December 31, 2018, the bonds carried interest at rates of 1.75% (tax-exempt) and 2.50% (taxable). At December 31, 2017, the bonds carried interest at rates of 1.80% (tax-exempt) and 1.58% (taxable).

(Continued)

(8) Long-Term Debt and Lease Obligations, Continued

The bonds are remarketed by a remarketing agent in accordance with the terms of a remarketing agreement. The bonds will be remarketed whenever a new interest rate is in effect. If the bonds cannot be remarketed, they would be due and payable under the terms of the remarketing agreement; however, the bonds are credit-enhanced by an irrevocable letter of credit, which is set to expire July 31, 2020. In the event that the remarketing agent is unable to remarket the bonds, the bond trustee will make a draw on the letter of credit and the tendered variable rate bonds will become bank bonds.

As a result of the aforementioned 2006 bond issuances, Healthcare has entered into two interest rate swap contracts to reduce its risk of exposure to changes in interest rates. The interest rate swaps effectively convert the variable rates of the 2006 bonds to fixed rates of 5.938% and 4.216% through June 2031. The swaps have been designated as cash flow hedges of the variable interest rates and are recorded at fair value as a liability of approximately $2,761,000 and $3,403,000 in other long-term liabilities on the accompanying consolidated balance sheets as of December 31, 2018 and 2017, respectively. The amounts exchanged are based on the notional amounts whereby Healthcare pays the swap counter-party interest at a fixed rate (4.216% - tax-exempt, 5.938% - taxable) and the swap counter-party pays Healthcare a variable rate (based on 70% of 1 month LIBOR tax-exempt, BMA Rate - taxable). The notional amounts and fair values based on quoted market prices, of Healthcare's interest rate swaps are approximately as follows at December 31:

	2018		2017	
	Notional amount	Liability fair value	Notional amount	Liability fair value
Healthcare - Series E	$ 5,120,000	808,000	5,410,000	998,000
Healthcare - Series F	8,660,000	1,953,000	9,110,000	2,405,000
	$ 13,780,000	2,761,000	14,520,000	3,403,000

The mark-to-market adjustments resulted in an increase of approximately $641,000 and $562,000 in net assets without donor restrictions for the years ended December 31, 2018 and 2017, respectively. Changes in value of the swaps determined to arise from ineffectiveness of the instruments, as determined through the hypothetical derivative method, are recorded as a component of interest expense in the consolidated statements of operations and changes in net assets. For the years ended December 31, 2018 and 2017, there was no significant ineffectiveness. Healthcare expects that the loss existing in net assets without donor restrictions to be reclassified into net loss from operations within the next 12 months will not be significant.

(Continued)

(8) Long-Term Debt and Lease Obligations, Continued

(g) In September 2014, the Medical Center obtained financing through a term note, for equipment, with a bank in the amount of $1,100,000. The note is collateralized by the related equipment. The term note is payable in monthly installments including interest fixed at 3.95%. The term note matures in September 2019. The Medical Center is also required to maintain certain covenants including minimum debt service coverage. The Medical Center is in compliance with its covenants at December 31, 2018 and 2017.

(h) The Medical Center has loans outstanding with the Sisters of St. Francis of the Neumann Communities. All loans are interest free through 2022. Expected principal payments are approximately $183,000 annually. In the event that timely principal payments are not made, the Medical Center will be charged interest at 5%.

(i) In May 2016, a note payable, with principal balance of approximately $3,683,000 of which approximately $1,100,000 was already allocated and recorded by Healthcare, was assigned to Healthcare. In conjunction with the assignment, the bank agreed to extend the maturity date of the loan through May 2021. The note payable is collateralized by the building constructed with the original funds. The note payable agreement contains various covenants including provisions regarding minimum days cash on hand, minimum debt service coverage ratio, and minimum unrestricted liquidity to funded debt ratio. At December 31, 2018 and 2017, Healthcare was in compliance with the financial covenants that are considered events of default.

The Corporation leases certain equipment under capital leases. The Corporation also leases equipment and facilities under noncancellable operating leases. The net book value of the equipment capitalized under lease agreements at December 31, 2018 and 2017 amounted to approximately $13,738,000 and $10,111,000, respectively.

(Continued)

(8) Long-Term Debt and Lease Obligations, Continued

In March 2018, MVHS signed an agreement on behalf of Healthcare and the Medical Center for the purchase and implementation of a new EHR. In addition to the term loan, the EHR is financed by two separate capital leases. The new system will replace a number of clinical and billing systems currently used by Healthcare and the Medical Center into one system-wide EHR with clinical, billing and scheduling functionality. The rollout of the development and implementation began in 2018 with a system-wide go live target during 2019. The cost of the new system will be equally split between Healthcare and the Medical Center. At December 31, 2018, the Corporation recorded capital leases related to the new EHR of approximately $7,108,000 and has approximately $12,782,000 in EHR related construction-in-progress on the consolidated balance sheet.

Effective September 1, 2018, the Obligated Group under the Master Trust Indenture (Master Indenture), dated as of March 1, 1998, as supplemented and amended, members include MVHS, Healthcare and the Medical Center. Each member of the Obligated Group is jointly and severally liable for all the obligations of the members issued pursuant to the Master Indenture. Additionally, all members of the Obligated Group have granted an interest in their gross receipts. As of December 31, 2018, the aggregate outstanding balance of all obligations under the Master Indenture totalled approximately $49,412,000 and are included as long-term debt on the consolidated balance sheet. Additionally included under the Master Indenture is Healthcare's interest rate swap liabilities totalling approximately $2,761,000 at December 31, 2018.

Under the terms of the Master Indenture, the Obligated Group is required to meet certain covenant requirements. In addition, the indenture provides for restrictions on among other things, additional indebtedness. The Obligated Group was in compliance with these covenants at December 31, 2018.

(Continued)

(8) Long-Term Debt and Lease Obligations, Continued

The table below reflects principal payments and the present value of future minimum capital lease payments over the next five years and beyond and assumes that the letter of credit related to the Series 2006 E and F Bonds is renewed in 2020 and that the financial institution does not exercise its put option for the Series 2006 Bonds in 2020. If the letter of credit is not renewed, the outstanding Series 2006 Bonds would be due on demand, as described above, in 2019.

	Long-term debt	Capital lease obligations	Operating leases
Years ending December 31:			
2019	$ 4,325,626	2,863,135	1,447,000
2020	4,264,829	2,525,111	1,050,000
2021	4,037,153	1,495,212	1,046,000
2022	3,771,759	1,062,174	1,043,000
2023	3,870,654	773,828	1,043,000
Thereafter	32,648,223	2,603,809	
Total payments	$ 52,918,244	11,323,269	
Less amounts representing interest		(1,259,611)	
Present value of capital lease obligations		10,063,658	
Less current portion		(2,577,579)	
Capital lease obligations, net of current portion		$ 7,486,079	

Rent expense under operating leases amounted to approximately $6,411,000 and $5,353,000 in 2018 and 2017, respectively.

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	2018	2017
Time or purpose:		
Funds held in trust by others (for capital)	$ 69,181	72,219
Children's Miracle Network	1,120,627	999,993
Continuous Learning Center	118,354	118,078
Scholarship assistance	169,875	229,482
Programs	610,122	454,749
Renovations	2,294,113	2,566,234
Donor-restricted endowments	70,540	227,572
New Integrated Health Campus	5,987,472	-
	10,440,284	4,668,327
Perpetual:		
The below perpetual amounts represent the corpus of the donor-restricted gifts. Income from these gifts is expendable for the following purposes:		
Investments, the income from which is to support charity care, health care services, scholarships and facility maintenance	5,593,345	5,555,717
	$ 16,033,629	10,224,044

(Continued)

(10) Pension Plans

Medical Center Pension Plan

The Medical Center has a noncontributory defined benefit plan covering substantially all of its full-time employees prior to April 1, 2013. Benefits are based on compensation and years of service. In 2003, the Medical Center applied for and received a favorable determination that its defined benefit plan is that of a nonelecting church plan under Section 410(d) of the Internal Revenue Code. Under status as a church plan, the Medical Center has elected to contribute the minimum amounts calculated as if the plan were subject to ERISA funding requirements.

Effective December 31, 2010, the Plan was amended to freeze benefit accruals for non-bargaining unit members. Effective January 1, 2012, the Plan was amended to freeze benefit accruals for the employees of one of the collective bargaining units. Effective April 1, 2013, the Plan was amended to freeze benefit accruals for the final collective bargaining unit.

The following table presents the changes in the Medical Center's benefit obligation and plan assets and funded status as of December 31:

	2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 119,971,888	108,140,610
Interest cost	5,397,775	5,564,451
Actuarial (gain) loss	(7,539,750)	9,808,965
Benefits paid	(3,911,099)	(3,542,138)
Benefit obligation at end of year	$ 113,918,814	119,971,888
Change in plan assets:		
Fair value of plan assets at beginning of year	70,723,172	61,325,296
Actual return on plan assets, net	(4,860,825)	9,325,653
Employer contributions	4,160,000	3,739,200
Benefits and administrative expenses paid	(4,044,455)	(3,666,977)
Fair value of plan assets at end of year	65,977,892	70,723,172
Funded status and accrued pension liability	$ (47,940,922)	(49,248,716)

The Medical Center had $34,933,470 and $34,955,347 of actuarial net losses in net assets without donor restrictions as of December 31, 2018 and 2017, respectively, which have not yet been recognized as a component of net periodic pension cost. The estimated net loss expected to be amortized from net assets without donor restrictions into net periodic pension cost over the next fiscal year is $2,267,610.

(10) Pension Plans, Continued

Medical Center Pension Plan, Continued

The components of net periodic pension cost for the years ended December 31:

		2018	2017
Administrative costs	$	125,000	134,000
Interest cost		5,397,775	5,564,451
Expected return on plan assets		(5,266,792)	(4,908,856)
Amortization of unrecognized net loss		2,618,100	1,774,038
Net periodic pension cost	$	2,874,083	2,563,633

The components of net periodic benefit cost other than the administrative costs component are included in other components of net periodic benefit cost in the consolidated statements of operations and changes in net assets.

The weighted average assumptions used to determine projected benefit obligations at December 31 are as follows:

	2018	2017
Discount rate	5.06%	4.58%
Expected long-term return on plan assets	7.50%	7.50%

The weighted average assumptions used to determine net periodic benefit cost for the years ended December 31 are as follows:

	2018	2017
Discount rate	4.58%	5.24%
Expected long-term return on plan assets	7.50%	7.50%

The Medical Center's defined benefit plan's investment objectives are to emphasize total return specifically through long-term growth of capital while avoiding excessive risk, and to achieve a balanced return of current income and modest growth of principal. In order to achieve these objectives, the Medical Center has established the following asset allocation guidelines:

Asset Class	Minimum	Maximum	Preferred
Large cap equity	30%	50%	41%
Small cap equity	-	15%	5%
Mid cap equity	-	15%	6%
International equity	-	25%	16%
Fixed income	20%	80%	32%
Cash and cash equivalents	-	5%	-

(Continued)

(10) Pension Plans, Continued

Medical Center Pension Plan, Continued

The expected long-term rate of return on plan assets is reviewed annually, taking into consideration the asset allocation, historical returns on the types of assets held, and the current economic environment. Based on these factors, it is expected that the pension assets will earn an average of 7.50% per annum.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 or 2017.

Money market fund: Valued at amortized cost which approximates fair value.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end and closed-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Common trust: Valued based on the NAV per unit as a practical expedient, without further adjustment. NAV is based upon the fair value of the underlying investments.

Alternative investments: The investments consist of partnership and hedge funds. These securities are estimated using current information obtained from the general partner or investment manager for the respective funds. Investments in private equity partnerships are generally estimated using partner's capital balances, and their fair value of investments are generally estimated using the NAV as a practical expedient.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(10) Pension Plans, Continued

Medical Center Pension Plan, Continued

The following tables present by level, within the fair value hierarchy, the Plan's assets as of December 31:

	Assets at fair value as of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Assets in fair value hierarchy:				
Money market fund	609,046	-	609,046	-
Mutual funds	47,677,396	47,677,396	-	-
Investments measured at NAV:				
Common trust	5,159,620	-	-	-
Alternative investments	12,531,830	-	-	-
	$ 65,977,892	47,677,396	609,046	-

	Assets at fair value as of December 31, 2017			
	Total	Level 1	Level 2	Level 3
Assets in fair value hierarchy:				
Cash and cash equivalents	$ 1,200,000	1,200,000	-	-
Money market fund	627,658	-	627,658	-
Mutual funds	50,373,206	50,373,206	-	-
Investments measured at NAV:				
Common trust	5,883,879	-	-	-
Alternative investments	12,638,429	-	-	-
	$ 70,723,172	51,573,206	627,658	-

The Medical Center expects to contribute $4,658,000 to its defined benefit plan in 2019.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Benefit payments
2019	$ 4,658,166
2020	4,956,367
2021	5,279,529
2022	5,708,250
2023	6,027,082
2024 - 2028	33,451,153

(10) Pension Plans, Continued

Other Plans

The Medical Center also offers a 401(k) defined contribution retirement plan to substantially all of its non-union employees. Members of UFCW collective bargaining unit receive contributions equal to other participants, however their plan assets are administered by representatives selected by UFCW. Effective March 3, 2013, members of the New York State Nurses Association were admitted to the plan in conjunction with the freezing of the defined benefit plan as discussed above. Each year participants may contribute up to 75% of eligible pre-tax compensation, as defined in the Plan, subject to maximum annual additions allowed by law. Employees that are not covered by UFCW collective bargaining unit are eligible to receive a safe harbor contribution equal to 3% of compensation. Further, non-union employees are eligible for a discretionary match on their contributions based on years of service as detailed below:

Years of service	% of employer contribution (up to 4%)
1 - 9	50% (or 2% in most cases)
10 - 19	75% (or 3% in most cases)
20+	100% (or 4% in most cases)

The Medical Center also offers a 457(b) plan covering certain highly compensated employees. Participants may contribute amounts up to statutory limits on an annual basis. Under the plan the Medical Center contributes between 2% and 4% of earnings over the 401(k) annual maximum amount depending on the employee's years of service. An asset and liability representing the total amount invested in the 457(b) plan totalling approximately $733,000 and $677,000 has been recorded as an other long-term asset and other long-term liability at December 31, 2018 and 2017, respectively.

Healthcare sponsors a 401(k) plan that covers substantially all full-time non-union employees. Healthcare contributes 4% of eligible compensation to the plan (5% for employees hired before December 1, 2001). Healthcare also makes a matching contribution up to 100% of the first 4% of employee contributions to the 401(k) plan. Healthcare also sponsors a 403(b) plan that covers union and certain other employees. Healthcare contributes 5% of eligible compensation to the plan and also makes a matching contribution for employees with 5 years of service, up to 100% of the first 5% of employee contributions to the 403(b) plan.

(10) Pension Plans, Continued

Other Plans, Continued

The Home maintains defined contribution retirement plans which cover all employees who have completed one year of service and are age twenty-one or older. Participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the Internal Revenue Code. The plans provide for matching contributions based on participant contributions at varying percentages of the participant's compensation for the year. In addition, under one plan, the Home will contribute a fixed amount up to 4% of the participant's compensation.

SNH maintains defined contribution retirement plans which cover all employees who have completed one year of service and are age twenty-one or older. Participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the Internal Revenue Code. The plans provide for matching contributions based on participant contributions at varying percentages of the participant's compensation for the year. In addition, under one plan, SNH will contribute a fixed amount up to 5% of the participant's compensation.

VNA sponsors two defined contribution pension plans covering substantially all employees. VNA matches employee contributions up to specified limits.

Pension expense under all defined contribution plans aggregated approximately $11,177,000 and $11,344,000 for the Corporation in 2018 and 2017, respectively.

(11) Contingencies

Professional Liability Insurance

Malpractice insurance coverage is provided under a claims-made based policy for Healthcare and Medical Center and an occurrence-based policy for the Home, VNA and SNH, which provide for $1,000,000 coverage for each claim, not to exceed $3,000,000 in aggregate annual coverage. Healthcare and the Medical Center's insurance policy includes a per claim $50,000 uninsured deductible, not to exceed $250,000 in aggregate annual coverage. In addition, the Corporation has purchased excess insurance policies. Claims alleging malpractice have been asserted against the Corporation and are currently in various stages of litigation. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted relating to services provided to patients. Accrued malpractice losses in management's opinion provide an adequate reserve for loss contingencies. The Corporation has accrued a liability included in other liabilities of approximately $21,185,000 and $25,325,000 at December 31, 2018 and 2017, respectively. A corresponding receivable included in other assets of approximately $19,313,000 and $23,015,000, respectively, has been recorded to record anticipated recoveries from the insurance company. If the claims-made policy is not renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made coverage period but reported subsequent to such a change will be uninsured. Healthcare and the Medical Center have a right under their present policy to acquire extended coverage if they decide to terminate their claims-made coverage. Healthcare and the Medical Center intend to renew their coverage on a claims-made basis and do not expect any difficulty in renewing the policies as they become due.

Self-Insured Risks

The Corporation is self-insured for employee healthcare costs. The group has obtained a stop loss coverage policy for healthcare costs to supplement its self-insurance coverage. An accrual for healthcare claims, including those incurred but not reported, is included in the current portion of estimated self-insured liabilities.

(11) Contingencies, Continued

Workers' Compensation Insurance

The Corporation is primarily self-insured for employee workers' compensation and disability claims along with certain of its affiliates for certain years 2007 and prior. Beginning in 2015, Healthcare and certain of its affiliates enrolled in a high deductible plan with an insurance company with a deductible of $500,000 for each employee and occurrence, and an aggregate deductible of $7,900,000 for 2015 and 2016, $8,150,000 for 2017 and $15,000,000 for 2018. Self-insured and high deductible liabilities are based on claims filed and estimates for claims incurred but not reported. As required by the State of New York Workers' Compensation Board, the Corporation has purchased letters of credit to guarantee payment of workers' compensation claims. Stop loss insurance for losses exceeding certain amounts has been purchased for workers' compensation. Each affiliate is jointly and severally liable for the satisfaction of all obligations. These liabilities are recorded at discounted amounts using a 3% interest rate in 2018 and 2017. From 2010 to 2014, certain entities of the Corporation, excluding the Medical Center, were insured in a retrospectively rated workers' compensation and disability policy and premiums are accrued based on the ultimate cost of the experience to date of the entities. The Corporation has accrued a liability included in other liabilities and a corresponding receivable in other assets for anticipated recoveries from the insurance company of approximately $5,972,000 and $6,049,000 at December 31, 2018 and 2017, respectively.

Prior to January 1, 2012, the Medical Center obtained coverage for workers compensation insurance through the Healthcare Underwriters Mutual Risk Management Group (Group). The Medical Center is one of four members of the Group. The Group is an unincorporated association of healthcare providers in the upstate region of New York State and was organized under a trust agreement for the purpose of establishing a workers' compensation self-insurance group. The Group is governed by a board of trustees consisting of one trustee for each member. Members of the Trust are jointly and severally liable for Group activities and liabilities. The Group is no longer active and has been in the process of settling outstanding claims since December 31, 2011. During 2018, the Medical Center made approximately $696,000 in assessment payments to the Trust. In addition, management of the Medical Center monitors the financial stability of the Trust on an ongoing basis and have determined that any future assessment payments would not be significant. At December 31, 2018 and 2017, the Medical Center has not been notified of any assessments resulting from participation in the Trust however has accrued approximately $0 and $515,000, respectively, in long-term portion of estimated self-insured liabilities to cover any future assessments.

(11) Contingencies, Continued

Workers' Compensation Insurance, Continued

Since January 1, 2012, the Medical Center has been self-insured for these liabilities. Losses from asserted and unasserted workers compensation claims are accrued based on actuarial estimates that incorporate the Medical Center's past experience, the nature of each claim or incident, relevant trend factors, and estimated recoveries, if any, on unsettled claims. The Medical Center has accrued approximately $5,049,000 and $4,330,000 for the years ended December 31, 2018 and 2017, respectively. These accruals are part of estimated insurance liabilities on the consolidated balance sheets. In conjunction with the self-insurance program, the Medical Center is required to post a letter of credit with the State of New York Workers Compensation Board. This letter of credit totalled approximately $4,983,000 and $2,994,000 as of December 31, 2018 and 2017, respectively.

(12) Affiliated Entities

The following are approximate dollar amounts of significant transactions and balances with affiliated entities:

New Hartford Scanner Associates

New Hartford Scanner Associates (NHSA) is a joint venture between Healthcare and several radiologists to provide CT scan services. Healthcare receives income from NHSA, which amounted to approximately $548,000 and $631,000 in 2018 and 2017, respectively. Healthcare charges NHSA for equipment, which amounted to approximately $120,000 in 2018 and 2017.

Mohawk Valley EC, LLC

Healthcare, the Medical Center and Mohawk Valley EC Holdings, LLC entered into an agreement for the purpose of owning and operating a single-specialty ambulatory surgery center, exclusively providing gastroenterology services in Oneida County. As part of the agreement, the three members formed the Mohawk Valley EC, LLC (MVEC), a New York limited liability company. Healthcare and the Medical Center each maintain a 20% interest and sharing ratio in MVEC. The amount recognized as income based on the Corporation's share is approximately $122,000 and $480,000 for the years ended December 31, 2018 and 2017, respectively.

The Corporation recognizes income from these joint ventures in other operating revenue.

(12) Affiliated Entities, Continued

Receivables from the affiliates are approximated as follows as of December 31:

	2018	2017
New Hartford Scanner Associates	$ 500,000	314,000
Other	25,000	16,000
	$ 525,000	330,000

(13) Consolidated Statements of Cash Flows - Supplemental Disclosures

The Corporation's non-cash investing and financing activity and cash payments for interest as of or for the years ended December 31 were approximately as follows:

	2018	2017
Capital lease obligations issued for property and equipment	$ 7,109,000	840,000
Cash paid for interest	2,523,000	2,831,000
Property and equipment acquisitions included in accounts payable	4,619,000	3,508,000

(Continued)

(14) Functional Expenses

The Corporation provides general healthcare services to residents of the Mohawk Valley Region. Expenses related to providing these services are as follows for the years ended December 31:

	2018			
	Healthcare services	General and administrative	Fundraising	Total
Salaries and wages	$ 241,092,166	27,607,589	-	268,699,755
Employee benefits	43,731,828	6,793,188	-	50,525,016
Supplies and other	193,122,005	24,349,703	89,377	217,561,085
Depreciation and amortization	14,913,515	8,719,944	-	23,633,459
Interest	1,089,694	1,416,605	-	2,506,299
New York State gross receipts taxes	1,836,239	647,525	-	2,483,764
Total expenses	$ 495,785,447	69,534,554	89,377	565,409,378

	2017			
	Healthcare services	General and administrative	Fundraising	Total
Total expenses	$ 488,762,242	60,863,886	67,559	549,693,687

The consolidated financial statements report certain categories of expenses that are attributable to more than one functional expense category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization on a combination of square footage utilized and moveable equipment utilized, as well as employee benefits which are allocated based on salary expense.

(15) Fair Value of Financial Instruments

The Fair Value Measurement Topic of the FASB Accounting Standards Codification requires disclosures that categorize assets and liabilities measured at fair value based on a fair value hierarchy. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

(Continued)

(15) Fair Value of Financial Instruments, Continued

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

Cash and Cash Equivalents: The amount reported on the consolidated balance sheets for cash and cash equivalents approximates fair value and money market funds are valued at the net asset value (NAV) reported by the financial institutions.

Certificates of Deposit: consists of fixed-maturity certificates of deposit that are valued based on discounted future cash flows using the rates currently offered for deposits of similar remaining maturities.

Mutual Funds, Exchange Traded Funds, Commercial Paper and Common Stock: The fair values, which are the amounts reported on the consolidated balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Pooled Investment Funds: Fair values are based on NAV per share as determined by the fund's investment manager or general partner.

U.S. Government and Agency Debt Securities, Domestic Corporate Bonds and Municipal Bonds: Consists of the Corporation's directly owned securities and the Corporation's investment in securities that are issued by the U.S. government or publicly owned government-sponsored enterprises. Securities owned directly by the Corporation and securities issued by the U.S. government or publicly owned government-sponsored enterprises are valued based on quoted market prices or dealer quotes where available (Level 1 measurements). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or, if necessary, matrix pricing from a third party pricing vendor to determine fair value (Level 2 measurements). Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security.

Estimated Third-Party Payor Settlements: The amount reported on the consolidated balance sheets for estimated third-party payor settlements approximates its fair value.

Long-Term Debt: The fair value of fixed rate issues was determined by price quotes from a financial institution or estimated using discounted cash flow analysis, based on the current incremental borrowing rate of similar types of borrowing arrangements (considered a Level 2 input). The fair value of variable rate debt approximates its reported value on the consolidated balance sheets. Fixed rate long-term debt is the only financial instrument with a difference between recorded and fair value. The recorded value of fixed rate long-term debt on the consolidated balance sheets at December 31, 2018 and 2017 approximates its fair value.

(Continued)

(15) Fair Value of Financial Instruments, Continued

The following tables present information about assets and liabilities that are measured at fair value on a recurring basis as of December 31 and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. The Corporation considers a security that trades at least weekly to have an active market. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

		Fair value measurements at December 31, 2018		
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 1,164,699	1,164,699	-	-
Assets limited as to use:				
Cash and cash equivalents	1,269,058	1,269,058	-	-
Common stock	1,177,198	1,177,198	-	-
Mutual funds	535,918	535,918	-	-
Domestic corporate bonds	188,279	188,279	-	-
Government agency obligations	19,163	-	19,163	-
Investments:				
Cash and cash equivalents	964,802	964,802	-	-
Common stock	2,780,235	2,780,235	-	-
Exchange traded funds	1,041,468	1,041,468	-	-
Mutual funds	73,922,930	73,922,930	-	-
Pooled investment funds:				
Hedge funds	5,133,976	-	-	-
Real estate funds	4,945,414	-	-	-
Bond funds	5,201,275	-	-	-
Foreign equity funds	9,876,162	-	-	-
Domestic corporate bonds	3,805,937	-	3,805,937	-
Government and agency obligations	12,356	-	12,356	-
Beneficial interest in charitable trusts	69,181	-	-	69,181
Total assets at fair value	$ 112,108,051	83,044,587	3,837,456	69,181
Liabilities:				
Interest rate swaps	$ 2,761,464	-	2,761,464	-

(Continued)

(15) Fair Value of Financial Instruments, Continued

		Fair value measurements at December 31, 2017		
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 4,524,405	4,524,405	-	-
Assets limited as to use:				
Cash and cash equivalents	1,507,908	1,507,908	-	-
Commercial paper	2,487,357	2,487,357	-	-
Common stock	1,053,293	1,053,293	-	-
Exchange traded funds	253,955	253,955	-	-
Mutual funds	813,373	813,373	-	-
Government and agency obligations	31,157	-	31,157	-
Investments:				
Cash and cash equivalents	618,146	618,146	-	-
Certificates of deposit	19,994	-	19,994	-
Common stock	3,331,205	3,331,205	-	-
Exchange traded funds	601,122	601,122	-	-
Mutual funds	71,043,196	71,043,196	-	-
Pooled investment funds:				
Hedge funds	5,699,750	-	-	-
Real estate funds	5,541,039	-	-	-
Bond funds	4,931,910	-	-	-
Foreign equity funds	12,119,194	-	-	-
Domestic corporate bonds	1,911,874	-	1,911,874	-
Government and agency obligations	320,510	-	320,510	-
Beneficial interest in charitable trusts	72,219	-	-	72,219
Total assets at fair value	$ 116,881,607	86,233,960	2,283,535	72,219
Liabilities:				
Interest rate swaps	$ 3,404,875	-	3,404,875	-

(Continued)

(15) Fair Value of Financial Instruments, Continued

The following is a summary of the investments whose NAV approximates fair value and the related redemption restrictions associated with each major category at December 31:

	2018		
Pooled investment funds	Total fair value	Redemption frequency	Redemption notice periods
Hedge funds	$ 5,133,976	Monthly	90 days
Real estate funds	4,945,414	Monthly	None
Bond funds	5,201,275	Monthly	10 days
Foreign equity funds	9,876,162	Monthly	10 days
	$ 25,156,827		

	2017		
Pooled investment funds	Total fair value	Redemption frequency	Redemption notice periods
Hedge funds	$ 5,699,750	Monthly	90 days
Real estate funds	5,541,039	Monthly	None
Bond funds	4,931,910	Monthly	10 days
Foreign equity funds	12,119,194	Monthly	10 days
	$ 28,291,893		

Hedge Funds

Hedge fund strategies involve funds with investment managers who have the authority to invest in various asset classes at their discretion and who have the ability to employ multiple investments strategies within their respective portfolios. Investment strategies may include the following categories: merger arbitrage, distressed, long/short credit, fixed income arbitrage and convertible arbitrage. These funds attempt to reduce individual manager risk by allocating capital among multiple investment managers. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly.

(Continued)

(15) Fair Value of Financial Instruments, Continued

Real Estate Funds

Real estate funds hold interests in publicly traded equity securities issued by real estate investment trusts ("REIT"), private real estate partnerships, and privately held REIT's. Strategies of these funds often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Corporation's interests in shares or units of these funds, because of the liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

Bond Funds

Bond funds are invested in a globally diversified portfolio of primarily debt and debt-like securities. The funds are controlled by an investment manager. The investment manager generally will acquire positions in debt securities and currencies that are rated investment grade by Standard & Poor's Credit Market Services, or if unrated, an equivalent rating determined by the investment manager at its sole discretion.

Foreign Equity Funds

Foreign equity funds are invested in a diversified portfolio of equity securities of companies ordinarily located in any country other than the United States and Canada. The funds are controlled by an investment manager.

Various assets and liabilities are not required to be measured at fair value on a recurring basis. The carrying value of all remaining financial assets and liabilities not required to be measured at fair value on a recurring basis approximate fair value at December 31, 2018 and 2017.

Schedule 1

MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2018
with comparative consolidated totals for 2017

Assets	Faxton-St. Luke's Healthcare	St. Elizabeth Medical Center and Affiliate	St. Luke's Home Residential Health Care Facility, Inc.	Mohawk Valley Health System Foundation	Senior Network Health, LLC	Visiting Nurse Association of Utica and Oneida County, Inc.	Mohawk Valley Health System	Mohawk Valley Home Care, LLC	Eliminations	Consolidated	Consolidated 2017
Current assets:											
Cash and cash equivalents	$ 6,267,666	8,865,283	947,125	431,952	5,505,692	365,764	2,889,353	-	-	25,272,835	21,959,220
Escrow deposit	-	-	-	-	1,101,612	-	-	-	-	1,101,612	590,222
Investments and assets limited as to use	84,132,841	12,938,367	-	3,858,321	1,830,042	-	-	-	-	102,759,571	101,778,128
Patient accounts receivable, net	37,676,435	22,054,067	3,304,535	-	111,569	492,865	-	-	-	63,639,471	64,527,574
Other current assets	8,171,804	3,990,017	-	85,378	63,843	-	1,092,972	2,623	-	13,406,637	11,969,951
Inventories	6,513,672	6,582,114	98,610	-	-	-	-	3,463	-	13,197,859	12,680,327
Prepaid expenses	2,751,059	1,326,981	233,293	127,120	-	23,398	-	-	-	4,461,851	4,433,079
Due from affiliates, net	7,896,009	-	212,704	13,106	-	302,559	11,833	-	(7,910,996)	525,215	330,248
Total current assets	153,409,486	55,756,829	4,796,267	4,515,877	8,612,758	1,184,586	3,994,158	6,086	(7,910,996)	224,365,051	218,268,749
Interest in MVHS Foundation	2,969,767	-	-	-	-	-	-	-	(2,969,767)	-	-
Investment in affiliates	-	-	-	-	-	-	5,733,151	-	(5,733,151)	-	-
Due from affiliates, net	-	-	3,917,233	-	-	-	-	-	(3,917,233)	-	-
Assets limited as to use	-	1,026,788	-	1,452,536	-	5,500	-	-	-	2,484,824	5,388,469
Investments	4,528,164	-	-	-	-	-	-	-	-	4,528,164	4,528,164
Property and equipment, net	67,542,143	60,147,141	12,730,343	933,981	141,679	179,941	15,912,340	4,789	-	157,592,357	150,039,058
Other assets	22,241,166	1,460,315	949,179	69,181	40,179	-	270,000	24,565	-	25,054,585	29,271,766
Total assets	$ 250,690,726	118,391,073	22,393,022	6,971,575	8,794,616	1,370,027	25,909,649	35,440	(20,531,147)	414,024,981	407,496,206

(Continued)

Schedule 1

MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidating Balance Sheets, Continued

December 31, 2018
with comparative consolidated totals for 2017

Liabilities and Net Assets	Faxton-St. Luke's Healthcare	St. Elizabeth Medical Center and Affiliate	St. Luke's Home Residential Health Care Facility, Inc.	Mohawk Valley Health System Foundation	Senior Network Health, LLC	Visiting Nurse Association of Utica and Oneida County, Inc.	Mohawk Valley Health System	Mohawk Valley Home Care, LLC	Eliminations	Consolidated	Consolidated 2017
Current liabilities:											
Current portion of long-term debt	$ 2,264,308	2,061,318	-	-	-	-	-	-	-	4,325,626	4,927,527
Current portion of capital lease obligations	1,942,312	635,267	-	-	-	-	-	-	-	2,577,579	3,025,798
Accounts payable and accrued expenses	18,287,751	16,103,250	575,068	47,243	1,696,448	70,600	2,777,991	33,977	146	39,592,474	39,570,037
Accrued payroll, payroll taxes and benefits	13,976,849	8,468,765	654,932	-	129,082	463,029	-		-	23,692,657	22,610,695
Current portion of estimated self-insured liabilities	3,047,285	1,402,439	1,056,800	-	203,132	465,800	-	25,300	-	6,200,756	7,292,215
Estimated third-party payor settlements, net	(361,266)	2,811,125	1,889,765	-	795,051	8,123	-	-	-	5,142,798	4,037,874
Due to affiliates, net	-	6,452,704	-	614,052	114,698	-	621,395	16,775	(7,819,624)	-	-
Other current liabilities	4,821,523	1,472,780	183,961	10,167	-	-	-	2,623	-	6,491,054	6,492,640
Total current liabilities	43,978,762	39,407,648	4,360,526	671,462	2,938,411	1,007,552	3,399,386	78,675	(7,819,478)	88,022,944	87,956,786
Long-term debt, net of current portion:											
Notes payable	3,032,547	21,044,151	-	-	-	-	11,184,879	-	-	35,261,577	3,520,112
Civic facility revenue bonds	12,735,615	-	-	-	-	-	-	-	-	12,735,615	36,188,799
Capital lease obligations	4,559,399	2,926,680	-	-	-	-	-	-	-	7,486,079	3,912,426
Total long-term debt, net of current portion	20,327,561	23,970,831	-	-	-	-	11,184,879	-	-	55,483,271	43,621,337
Accrued pension liability	-	47,940,922	-	-	-	-	-	-	-	47,940,922	49,248,716
Due to affiliates, net	1,058,928	-	-	-	-	5,939,823	-	-	(6,998,751)	-	-
Other liabilities	34,619,093	832,421	1,131,979	-	40,179	35,886	-	24,565	-	36,684,123	39,881,629
Estimated self-insured liabilities, net of current portion	6,639,022	4,518,369	60,856	-	15,075	-	-	-	-	11,233,322	11,332,704
Total liabilities	106,623,366	116,670,191	5,553,361	671,462	2,993,665	6,983,261	14,584,265	103,240	(14,818,229)	239,364,582	232,041,172
Net assets (deficit):											
Without donor restrictions	136,538,230	273,138	16,839,661	2,266,563	5,800,951	(5,618,734)	5,337,912	(67,800)	(2,743,151)	158,626,770	165,230,990
With donor restrictions	7,529,130	1,447,744	-	4,033,550	-	5,500	5,987,472	-	(2,969,767)	16,033,629	10,224,044
Total net assets (deficit)	144,067,360	1,720,882	16,839,661	6,300,113	5,800,951	(5,613,234)	11,325,384	(67,800)	(5,712,918)	174,660,399	175,455,034
Total liabilities and net assets (deficit)	$ 250,690,726	118,391,073	22,393,022	6,971,575	8,794,616	1,370,027	25,909,649	35,440	(20,531,147)	414,024,981	407,496,206

See accompanying independent auditor's report.

MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidating Statements of Operations and Changes in Net Assets (Deficit)

Year ended December 31, 2018
with comparative consolidated totals for 2017

	Faxton-St. Luke's Healthcare	St. Elizabeth Medical Center and Affiliate	St. Luke's Home Residential Health Care Facility, Inc.	Mohawk Valley Health System Foundation	Senior Network Health, LLC	Visiting Nurse Association of Utica and Oneida County, Inc.	Mohawk Valley Health System	Mohawk Valley Home Care, LLC	Eliminations	Consolidated	Consolidated 2017
Revenues, gains and other support without donor restrictions:											
Patient service revenue, net	$ 278,838,298	204,691,870	18,933,674	-	261,880	5,619,559	-	-	(4,021,134)	504,324,147	515,671,178
Provision for bad debts	-	-	-	-	-	-	-	-	-	-	(15,113,615)
Net patient service revenue less provision for bad debts	278,838,298	204,691,870	18,933,674	-	261,880	5,619,559	-	-	(4,021,134)	504,324,147	500,557,563
Premium revenue	-	-	-	-	20,832,327	-	-	-	-	20,832,327	17,905,012
Other operating revenue	23,123,164	8,970,566	2,045,061	-	202,367	122,327	565,511	-	(2,958,857)	32,070,139	27,052,852
Net assets released from restrictions used for operations	-	13,000	-	1,144,957	-	-	-	-	-	1,157,957	724,888
Total revenues, gains and other support without donor restrictions	301,961,462	213,675,436	20,978,735	1,144,957	21,296,574	5,741,886	565,511	-	(6,979,991)	558,384,570	546,240,315
Expenses:											
Salaries and wages	146,046,454	104,336,587	11,385,824	391,984	1,920,628	4,517,498	-	-	100,780	268,699,755	265,641,318
Employee benefits	25,558,020	20,476,188	3,013,244	49,320	428,447	999,797	-	-	-	50,525,016	48,858,112
Supplies and other	118,389,555	81,318,343	4,359,284	1,185,383	18,247,677	373,281	207,263	-	(6,519,701)	217,561,085	203,919,047
Depreciation and amortization	13,003,039	9,078,120	1,431,256	418	72,698	47,928	-	-	-	23,633,459	25,826,762
Interest	1,257,146	1,249,153	-	-	-	-	-	-	-	2,506,299	2,975,131
New York State gross receipts taxes	1,092,389	647,525	743,850	-	-	-	-	-	-	2,483,764	2,473,317
Total expenses	305,346,603	217,105,916	20,933,458	1,627,105	20,669,450	5,938,504	207,263	-	(6,418,921)	565,409,378	549,693,687
Net gain (loss) from operations	(3,385,141)	(3,430,480)	45,277	(482,148)	627,124	(196,618)	358,248	-	(561,070)	(7,024,808)	(3,453,372)
Other revenue (expense):											
Contributions and other	(607,218)	91,100	-	78,439	-	-	-	-	-	(437,679)	241,879
Investment income, net of fees	8,412,012	4,894,550	364,757	172,702	-	-	-	-	-	13,844,021	3,254,885
Total other revenue, net	7,804,794	4,985,650	364,757	251,141	-	-	-	-	-	13,406,342	3,496,764
Excess (deficiency) of revenues over expenses	$ 4,419,653	1,555,170	410,034	(231,007)	627,124	(196,618)	358,248	-	(561,070)	6,381,534	43,392

(Continued)

MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidating Statements of Operations and Changes in Net Assets (Deficit), Continued

Year ended December 31, 2018
with comparative consolidated totals for 2017

	Faxton-St. Luke's Healthcare	St. Elizabeth Medical Center and Affiliate	St. Luke's Home Residential Health Care Facility, Inc.	Mohawk Valley Health System Foundation	Senior Network Health, LLC	Visiting Nurse Association of Utica and Oneida County, Inc.	Mohawk Valley Health System	Mohawk Valley Home Care, LLC	Eliminations	Consolidated	Consolidated 2017
Changes in net assets (deficit) without donor restrictions:											
Excess (deficiency) of revenues over expenses	$ 4,419,653	1,555,170	410,034	(231,007)	627,124	(196,618)	358,248	-	(561,070)	6,381,534	43,392
Change in fair value of interest rate swaps	643,411	-	-	-	-	-	-	-	-	643,411	561,675
Change in net unrealized gains and losses on investments	(9,662,567)	(1,284,253)	-	(449,141)	(66,054)	-	-	-	-	(11,462,015)	11,481,137
Contributions used for capital acquisitions	354,953	-	-	-	-	-	-	-	-	354,953	-
Pension related changes other than net periodic pension cost	-	21,877	-	-	-	-	-	-	-	21,877	(3,608,969)
Other components of net periodic benefit cost	-	(2,749,083)	-	-	-	-	-	-	-	(2,749,083)	(2,429,633)
Net assets released from restrictions for capital acquisitions	-	205,103	-	-	-	-	-	-	-	205,103	864,779
Changes in net assets (deficit) without donor restrictions	(4,244,550)	(2,251,186)	410,034	(680,148)	561,070	(196,618)	358,248	-	(561,070)	(6,604,220)	6,912,381
Changes in net assets with donor restrictions:											
Contributions	-	126,871	-	1,304,700	-	-	-	-	-	1,431,571	1,671,603
Change in net unrealized gains and losses on investments	-	(70,607)	-	(337,276)	-	-	-	-	-	(407,883)	134,268
Interest income and dividends, net of fees	-	(28,582)	-	45,101	-	-	-	-	-	16,519	15,581
Interest income on permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	172,994
Change in value of beneficial interest in charitable trusts	-	-	-	(3,038)	-	-	-	-	-	(3,038)	(7,109)
Net realized gains on investments and assets limited as to use	-	-	-	148,004	-	-	-	-	-	148,004	47,714
Grant for capital acquisitions	-	-	-	-	-	-	5,987,472	-	-	5,987,472	-
Net assets released from restrictions	-	(218,103)	-	(1,144,957)	-	-	-	-	-	(1,363,060)	(1,589,667)
Change in interest in net assets of Foundation	(20,358)	-	-	-	-	-	-	-	20,358	-	-
Change in net assets with donor restrictions	(20,358)	(190,421)	-	12,534	-	-	5,987,472	-	20,358	5,809,585	445,384
Total change in net assets (deficit)	(4,264,908)	(2,441,607)	410,034	(667,614)	561,070	(196,618)	6,345,720	-	(540,712)	(794,635)	7,357,765
Net assets (deficit) at beginning of year	148,332,268	4,162,489	16,429,627	6,967,727	5,239,881	(5,416,616)	4,979,664	(67,800)	(5,172,206)	175,455,034	168,097,269
Net assets (deficit) at end of year	$ 144,067,360	1,720,882	16,839,661	6,300,113	5,800,951	(5,613,234)	11,325,384	(67,800)	(5,712,918)	174,660,399	175,455,034

See accompanying independent auditor's report.

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APPENDIX C

SUMMARY OF INDENTURE AND LOAN AGREEMENT

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APPENDIX C

GLOSSARY AND SUMMARIES OF CERTAIN PROVISIONS OF CERTAIN OF THE BOND DOCUMENTS

GLOSSARY

The following terms have the meanings stated herein when used in this Appendix and the documents summarized below:

"Accountant" means an independent certified public accountant or a firm of independent certified public accountants selected by the Institution and reasonably acceptable to the Banks (if any) and the Credit Facility Issuer (if any).

"Act" means the Enabling Act.

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

"Additional Equipment" means, in connection with any Additional Project, any additional materials, machinery, equipment, fixtures, furnishings or other personal property intended to be acquired with the proceeds of a related Series of Additional Bonds, or intended to be acquired with any payment which the Institution incurred in anticipation of the issuance of such Series of Additional Bonds and for which the Institution will be reimbursed from the proceeds of such Series of 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, in connection with any Additional Project, any buildings, improvements structures, and other related facilities (A) located on the Land or the Additional Land, (B) financed or refinanced with the proceeds of the sale of a Series of Additional Bonds or any payment made by the Institution pursuant to Section 3.5 of the Loan Agreement or any payment which the Institution incurred in anticipation of the issuance of such Series of Additional Bonds and for which the Institution will be 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, with respect to any Series of Additional Bonds, any real estate which will be the site of an Additional Project Facility intended to be financed with the proceeds of such 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 Issuer in connection with the issuance of any Series of Additional Bonds.

"Adjusted Prime Rate" means the Prime Rate plus the Prime Rate Margin.

"Adjustment Date" means the dates on which the interest rate on the Bonds shall be adjusted.

"Affiliate" of any specified entity means any other entity directly or indirectly controlling or controlled by or under direct or indirect common control with such specified entity and "control", when used with respect to any specified entity, means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Alternate Credit Facility" means any irrevocable, transferable, direct pay letter of credit or other credit enhancement or support facility that has terms which are the same in all material respects (except for the term and maximum interest rate but including coverage of accrued interest on the Bonds for up to fifty (50) days (as required by the Remarketing Agent) if the Bonds bear interest at the Daily Rate or Weekly Rate or for up to two hundred ten (210) days (as required by the Remarketing Agent) if the Bonds bear interest at the Semi-Annual Rate or the Long-Term Rate) as the then current Credit Facility and (A) shall have a term of not less than one year, (except if the Long Term Rate shall then be in effect, the term of such Alternate Credit Facility shall not expire prior to (1) the first par redemption date plus 15 days or (2) the first redemption date plus 15 days if the Alternate Credit Facility covers the redemption premium), (B) shall be issued by a bank, a trust company or other financial institution or credit provider, and (C) with respect to which the Trustee shall have received the opinions required by Section 408(C) of the Indenture. Neither (i) an extension of the then current Credit Facility nor (ii) a replacement Credit Facility that otherwise meets the requirements of an Alternate Credit Facility and is issued by the then Credit Facility Issuer shall be deemed an Alternate Credit Facility, and the delivery of either shall not have any effect under the Indenture as would arise upon delivery of an Alternate Credit Facility.

"Alternate Security Date" means the date upon which an Alternate Credit Facility shall be effective and available to be drawn upon by the Trustee, provided that if any such date shall not be a Business Day, such date shall be the next succeeding Business Day.

"Applicable Laws" means all 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 Institution 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.

"Arbitrage Certificate" means (A), with respect to the Initial Bonds, the Initial Arbitrage Certificate and (B) with respect to any Series of Additional Bonds intended to be issued as Tax-Exempt Bonds, any similar document executed by the Issuer in connection with the issuance and sale of such Series of Additional Bonds.

"Authenticating Agent" means the Trustee and any agent so designated in and appointed pursuant to Section 204 of the Indenture.

"Authorized Denominations" means, with respect to any Series of the Bonds, the following: (A) while the Bonds of such Series are in the Bank Purchase Fixed Rate Mode, a single Bond representing the entire outstanding principal amount of such Series; (B) while the Bonds of such Series are in the Bank Purchase Variable Rate Mode, the Daily Rate Mode, the Weekly Rate Mode, or the Semi-Annual Rate Mode, $100,000 and any integral multiple of $5,000 in excess thereof, except that, if as a result of a redemption, partially redeemed Bonds of such Series cannot be issued in such denominations, such partially redeemed Bonds of such Series shall be reissued in such other denominations to the extent required to effect such redemption; and (C) while the Bonds of such Series are in the FRN Rate Mode, the Long-Term Rate Mode or the Fixed Rate Mode, $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.

"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, (8) U.S. Department of Housing and Urban Development ("HUD"), and (9) U.S. Agency for International Development; (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 Standard & Poor's of "AAAm-G", "AAA-m"; or "AA-m" and if rated by Moody's rated "Aaa", "Aa1" 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 provided by a Qualified Financial Institution; (H) commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by Standard & Poor's; (I) bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the three 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 unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A-" or better by Standard & Poor's; (K) demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Obligated Group, or bankers acceptances of depository institutions, including the Trustee or any of its affiliates; and (L) 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 "A" or better by Moody's Investor Services, or (b) banks rated "A-" or above by Standard & Poor's Corporation and "A" or better by 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.

"Authorized Representative" means the Person or Persons at the time designated to act on behalf of the Issuer, any Bank, the Credit Facility Issuer (if any), the Trustee or the Institution, as the case may be, by written certificate furnished to the Issuer, the Institution, such Bank, the Credit Facility Issuer (if any), and 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) any Bank by a Vice President or an Assistant Vice President, or such other person as may be authorized by the board of directors of the Bank to act on behalf of such Bank, (C) the Credit Facility Issuer (if any), by a Vice President or an Assistant Vice President, or such other person as may be authorized by the board of directors of such Credit Facility Issuer to act on behalf of such Credit Facility Issuer, and (D) the Institution by its President and Chief Executive Officer, Executive Vice President and Chief Operating Officer, and Senior Vice President and Chief Financial Officer, or such other person as may be authorized by the board of trustees of the Institution to act on behalf of the Institution and (E) 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.

"Available Moneys" means, with respect to any date, (A) funds which (1) have been paid to the Trustee by the Institution, any Affiliate of the Institution, any Guarantor or any Insider of any of the foregoing, and deposited into and held in a separate and segregated account or accounts in the Redemption Premium Account of the Bond Fund in which no moneys not deposited on the same date were at any time held, and (2) have been on deposit with the Trustee in such account or accounts in the Redemption Premium Account for a period of at least one hundred and twenty-three (123) consecutive days prior to such date, during and prior to which period no Event of Bankruptcy has occurred and (3) are represented by cash or its equivalent as of such date; (B) moneys drawn under the Credit Facility (if any) and deposited directly into the Credit Facility Account of the Bond Fund; (C) the proceeds deposited directly into the Defeasance Account of the Bond Fund from the sale of refunding obligations other than, directly or indirectly, to the Issuer, the Institution, any Guarantor, any Affiliate of the Institution or any Guarantor or any Insider of any of them, or any entity who, at the time of the purchase of the Bonds, is a secured creditor of the Institution; (D) proceeds deposited directly into the Remarketing Proceeds Account of the Bond Fund from the marketing or remarketing of Bonds to any purchaser other than, directly or indirectly, the Institution, the Issuer, any Guarantor, any Affiliate of the Institution or any Guarantor or any Insider of any of them, or any entity who, at the time of the purchase of the Bonds, is a secured creditor of the Institution; (E) proceeds from investment of the foregoing, provided such proceeds are retained in the Account in which they were earned; and (F) any other funds or payments so long as, in the opinion of reputable bankruptcy counsel, such payments will not constitute an avoidable preference under the Bankruptcy Code.

"Bank" or "Banks" means (A) while any Series of the Bonds bears interest in the Bank Purchase Variable Rate Mode, the Owners of the Bonds of such Series, (B) while any Series of the Bonds bears interest in the Bank Purchase Fixed Rate Mode, the Owners of the Bonds of such Series, and (C) with respect to any Series of the Bonds which bears interest in the Daily Rate Mode, the Weekly Rate Mode, the FRN Rate Mode, the Semi-Annual Rate Mode or the Long-Term Rate Mode, the Credit Facility Issuer.

"Bank Documents" means any document now or hereafter executed by the Issuer, the Institution or any Guarantor in favor of the Banks which affects the rights of the Banks in or to the Initial Project Facility, in whole or in part, or which secures or guarantees any sum due under any Bank Document.

"Bank Purchase Fixed Rate" means (A) prior to the occurrence of an Event of Taxability, the Bank Purchase Tax-Exempt Fixed Rate, and (B) subsequent to the occurrence of an Event of Taxability, the Bank Purchase Taxable Fixed Rate.

"Bank Purchase Fixed Rate Mode" means a Rate Period with respect to the Bonds in which the Bonds bears interest at the Bank Purchase Fixed Rate, Bank Purchase Taxable Fixed Rate or Bank Purchase Tax-Exempt Fixed Rate commencing on the date they are purchased by the Bank and ending on a date when the Bonds are prepaid, subject to mandatory tender for

purchase in connection with conversion to a new Interest Rate Mode or tendered for purchase by the Bank as provided in the Indenture.

"Bank Purchase Fixed Rate Period" means, with respect to a particular Series of the Bonds, that period during which such Series of the Bonds shall bear interest at a Bank Purchase Fixed Rate, beginning on, and including, the date on which such Series of the Bonds commences bearing interest at the Bank Purchase Fixed Rate and ending on the day preceding the Interest Payment Date selected by the Institution in accordance with the requirements of Section 209(D) of the Indenture as the end of such Bank Purchase Fixed Rate Period and each period of the same duration (or as close as possible) ending on the day preceding an Interest Payment Date thereafter until the earliest of (A) the day preceding the change to a different Bank Purchase Fixed Rate Period, (B) the Conversion Date on which such Series of the Bonds commences bearing interest in another Interest Rate Mode, (C) the date when all of the Bonds of such Series are prepaid, (D) the date on which all of the Bonds of such Series are tendered for purchase by the Bank as provided in the Indenture, or (E) the maturity of the Bonds of such Series.

"Bank Purchase Rate" means the Bank Purchase Fixed Rate, Bank Purchase Taxable Fixed Rate, Bank Purchase Taxable Variable Rate, Bank Purchase Tax-Exempt Variable Rate or the Bank Purchase Variable Rate.

"Bank Purchase Rate Mode" means the Bank Purchase Fixed Rate Mode or the Bank Purchase Variable Rate Mode.

"Bank Purchase Taxable Fixed Rate" means a rate of interest to be set by the Bank prior to the Conversion from the Bank Purchase Tax-Exempt Variable Rate to the Bank Purchase Taxable Fixed Rate.

"Bank Purchase Tax-Exempt Fixed Rate" means a rate of interest to be set by the Bank prior to the Conversion from the Bank Purchase Tax-Exempt Variable Rate to the Bank Purchase Tax-Exempt Fixed Rate.

"Bank Purchase Taxable Variable Rate" means the One Month LIBOR plus a spread to be determined and set by the Bank, such rate to adjust monthly.

"Bank Purchase Tax-Exempt Variable Rate" means a percentage to be determined and set by the Bank plus the product of .75% times the One Month LIBOR, such rate to adjust monthly.

"Bank Purchase Variable Rate" means (A) prior to the occurrence of an Event of Taxability, the Bank Purchase Tax-Exempt Variable Rate, and (B) subsequent to the occurrence of an Event of Taxability, the Bank Purchase Taxable Variable Rate.

"Bank Purchase Variable Rate Mode" means a Rate Period with respect to a particular Series of the Bonds in which they bear interest at the Bank Purchase Variable Rate, Bank Purchase Taxable Variable Rate or Bank Purchase Tax-Exempt Variable Rate commencing on the date they are purchased by the Banks and ending on a date when all the Bonds of such Series are paid, subject to mandatory tender for purchase in connection with Conversion to a new Interest Rate Mode or tendered for purchase by the Bondholder as provided in the form of Bonds in the Bank Purchase Variable Rate Mode attached to this Indenture as Schedule I.

"Bank Purchase Variable Rate Period", with respect to a particular Series of the Bonds, means that period during which such Series of the Bonds shall bear interest at a Bank Purchase Variable Rate, (A) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest at the Bank Purchase Variable Rate, the date of issuance of such Series of the Bonds, and ending on (but excluding) the day which numerically corresponds to such date one month thereafter (or, if such month has no numerically corresponding day, on the last Business day of such month), and each one month period thereafter until the earliest of the day preceding the Conversion to a different Interest Rate Mode or the date when all of the Bonds of such Series are paid, and (B) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest in an Interest Rate Mode other than the Bank Purchase Variable Rate, the effective date of the Conversion of the Interest Rate Mode of such Series of the Bonds to the Bank Purchase Variable Rate Mode, and ending on (but excluding) the day which numerically corresponds to such date three months thereafter (or, if such month has no numerically corresponding day, on the last Business day of such month), and each three month period thereafter until the earliest of the day preceding the Conversion to a different Interest Rate Mode, the date when all of the Bonds of such Series are prepaid or the maturity of such Series of the Bonds; provided, however, that (1) if such Bank Purchase Variable Rate Period would otherwise end on a day which is not a Business Day, such Bank Purchase Variable Rate Period shall end on the next following Business Day unless such day falls in the next calendar month, in which case such Bank Purchase Variable Rate Period shall end on the first preceding Business Day; and (2) with respect to a Series of Bonds initially bearing interest at an Interest Rate Mode other than the Bank Purchase Variable Rate, no Bank Purchase Variable Rate Period may end later than the next scheduled Purchase Date.

"Bank Rate" means the rate of interest being charged to the Institution by a Credit Facility Issuer under the related Reimbursement Agreement.

"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 Bond, Schoeneck & King, PLLC, Syracuse, 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 Fund" means the fund so designated established pursuant to Section 401(A)(3) of the Indenture.

"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.

"Bondholder Agreement" means (A) with respect to any Series of the Bonds which bear interest in the Bank Purchase Fixed Rate Mode, and (B) with respect to any Series of the Bonds which bear interest in the Bank Purchase Variable Rate Mode, any agreement of the Institution with the Holder of all Bonds of such Series which, among other things, requires that the Institution make certain representations and covenants for the benefit of the Bank as the Holder of all Bonds of such Series.

"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 Pledge Agreement" means any bond pledge agreement entered into by and among the Institution, the Trustee and the Credit Facility Issuer (if any), as said bond pledge agreement may be amended or supplemented from time to time.

"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 initial purchaser of the Initial Bonds 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 the bond purchase agreement dated November ___, 2019 by and among the Issuer, the Institution and the Underwriter.

"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 issued as Tax-Exempt 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 Institution 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.

"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, (C) a day on which commercial banks in New York, New York, or the city or cities in which the Office of the Trustee and the Tender Agent is located, or the office of the Credit Facility Issuer (if any) at which demands for payment are to be presented is located, are authorized or required by law, regulation or executive order to close, or (D) while the Bonds bear interest at a Bank Purchase Variable Rate, any day on which dealings in U.S. dollars are carried on in the London Interbank Eurodollar Market.

"Calculation Agent" means the Trustee or an agent appointed by the Trustee to calculate the LIBOR Rate or FRN Rate.

"Certificate of Authentication" means the certificate of authentication in substantially the form attached to the form of the Initial Bonds attached as Schedule I, Schedule II or Schedule III to the Indenture, as the case may be.

"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 as initial purchaser of the Initial Bonds 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 3.4 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 3.4 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 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.

"Continuing Disclosure Agreement" means, with respect to a particular Series of the Bonds, any continuing disclosure agreement entered into by the Institution pursuant to Section 516 of the Indenture in connection with such Series of the Bonds.

"Conversion" means (A) any conversion from time to time in accordance with the terms of the Indenture of the Bonds from one Interest Rate Mode to another Interest Rate Mode and (B) the end of any Long-Term Rate Period.

"Conversion Date" means the first date any Conversion becomes effective.

"Corporate Federal Tax Rate" means, as of any determination date, the top statutory federal tax rate for corporations as of such determination date.

"Costs of Issuance Fund" means the fund so designated established pursuant to Section 401(A)(1) of the Indenture.

"Costs of the Project" means (A) with respect to the Initial Project, all those costs and items of expense relating thereto enumerated in Section 3.3(A) of the Loan Agreement incurred subsequent to the Inducement Date, including costs which the Institution 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 Institution may be reimbursed from proceeds of the Initial Bonds pursuant to the provisions of the Initial Tax Regulatory Agreement, and (B) with respect to any Additional Project, all those costs and items of expense relating thereto enumerated in Section 3.3 of the Loan Agreement, including costs which the Institution incurred with respect to such Additional Project in anticipation of the issuance of the related Series of Additional Bonds and for which the Institution will be reimbursed from proceeds of the related Series of Additional Bonds.

"Credit Facility" means (A) with respect to the Initial Bonds, the Initial Credit Facility (if any) or any Alternate Credit Facility delivered to the Trustee pursuant to the provisions of the Indenture, and (B) with respect to any Series of Additional Bonds, any Credit Facility or any Alternate Credit Facility delivered to the Trustee pursuant to the provisions of the Indenture relating to such Series of Additional Bonds.

"Credit Facility Account" means the special account so named established within the Bond Fund pursuant to Section 401(A)(3)(a) of the Indenture.

"Credit Facility Documents" means the Reimbursement Agreement, the Bond Pledge Agreement and any other document now or hereafter executed by the Issuer, the Institution or any Guarantor in favor of a Credit Facility Issuer which affects the rights of such Credit Facility Issuer in or to the Project Facility, in whole or in part, or which secures or guarantees any sum due under any Bank Document.

"Credit Facility Issuer" means the institution issuing any Credit Facility.

"Current Project Facility" means the New Hospital Facility, the Parking Facility Land and the MOB Land.

"Daily Rate" means the Interest Rate Mode for the Bonds in which the interest rate on the Bonds is a variable rate that is determined daily in accordance with Section 209(C)(3)(c) of the Indenture.

"Daily Rate Mode" means a Rate Period with respect to a particular Series of the Bonds in which they bear interest at the Daily Rate, commencing on the date they are converted to the Daily Rate and ending on a date when all the Bonds of such Series are prepaid, subject to mandatory tender for purchase in connection with Conversion to a new Interest Rate Mode or the maturity of such Series of the Bonds.

"Daily Rate Period", with respect to a particular Series of the Bonds, means that period during which such Series of the Bonds shall bear interest at a Daily Rate, (A) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest at the Daily Rate, the date of issuance of such Series of the Bonds, and ending on, and including, the effective date of the Conversion of the Interest Rate Mode of such Series of the Bonds to another Interest Rate Mode, the date when all of the Bonds of such Series are prepaid or the maturity of such Series of the Bonds, and (B) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest in an Interest Rate Mode other than the Daily Rate Mode, the effective date of the Conversion of the Interest Rate Mode of such Series of the Bonds to the Daily Rate Mode, and ending on, and including, the effective date of the Conversion of the Interest Rate Mode of such Series of the Bonds to another Interest Rate Mode, the date when all of the Bonds of such Series are prepaid or the maturity of such Series of the Bonds.

"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, plus (E) the Purchase Price, if any, payable on the Bonds on such Bond Payment Date.

"Default Interest Rate" means (A), when used with respect to the Bonds, the Bond Rate then payable on the Bonds plus 3%, and (B) when used with respect to any other Financing Document, a per annum rate of interest equal to the greater on a daily basis of (1) the Bond Rate then payable on the Bonds plus 3%, or (2) 3% plus the National Prime Rate; provided, however, that such interest rate shall in no event exceed the maximum interest rate permitted by law.

"Defaulted Interest" shall have the meaning ascribed to such term in Section 207(C) of the Indenture.

"Defeasance Account" means the special account so named established within the Bond Fund pursuant to Section 401(A)(3)(b) of the Indenture.

"Depository" means, initially, The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other securities depository designated in any supplemental resolution of the Issuer to serve as securities depository for the Bonds that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Book Entry Bonds.

"Depository Letter" means the Initial Depository Letter.

"Direct Participant" means a Participant as defined in the Depository Letter.

"Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture and the other Initial Financing Documents.

"Electronic Notice" means a notice transmitted through email, facsimile or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition, to the notice address supplied by or on behalf of the addressee; provided, however, that if the Trustee is unable to provide Electronic Notice to the Bondholders because it does not have the necessary contact information to do so, it shall provide written notice to the Bondholders.

"EPIC System" has the meaning ascribed to such term in the recitals of the Indenture.

"Equipment" means, collectively, the Initial Equipment and any Additional Equipment.

"Enabling Act" means Section 1411 of the Not-For-Profit Corporation Law of the State of New York, as amended.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) under common control with the Institution within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" shall mean (A) a Reportable Event with respect to a Pension Plan; (B) a withdrawal by the Institution or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under

Section 4062(e) of ERISA; (C) a complete or partial withdrawal by the Institution or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (D) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (F) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (F) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Institution or any ERISA Affiliate.

"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.

"Event of Taxability" means, with respect to any Series of Tax-Exempt Bonds, (A) the enactment of a statute or promulgation of a regulation eliminating, in whole or in part, the applicable exemption, as such exists on the Closing Date, from gross income for federal income tax purposes for interest payable under such Series of the Tax-Exempt Bonds, (B) a "final determination by decision or ruling by a duly constituted administrative authority" to the effect that such exemption for interest payable under such Series of the Tax-Exempt Bonds is not available, is no longer available or is contrary to law, (C) the expiration of the right to further administrative review of any determination, decision or ruling to the effect that such exemption for interest payable under such Series of the Tax-Exempt Bonds is not available, is no longer available or is contrary to law, or (D) receipt by the Trustee of a written opinion of Bond Counsel that there is no longer a basis for the holders of such Series of the Tax-Exempt Bonds (or any former holder, other than a holder who is or was a Substantial User of the Project Facility or a Related Person thereto) to claim that any interest paid and payable on such Series of the Tax-Exempt Bonds is not excluded from gross income for federal income tax purposes. For the purposes of clause (B) above, a "final determination by decision or ruling by a duly constituted administrative authority" shall mean (1) the issuance of a ruling (including, but not limited to, a revenue ruling or a letter ruling) by the IRS or any successor thereto, or (2) the issuance of a preliminary notice of proposed deficiency ("30-Day Letter"), a statutory notice of deficiency ("90-Day Letter"), or other written order or directive of similar force and effect by the IRS, or any other United States Governmental Authority having jurisdiction therein. Notwithstanding the foregoing, nothing in this definition of "Event of Taxability" shall be construed (x) to mean that any Holder of such Series of the Tax-Exempt Bonds shall have any obligation to contest or appeal any assertion or decision that any interest payable under such Series of the Tax-Exempt Bonds is subject to taxation, or (y) to mean or include the imposition of an alternative minimum tax or preference tax or environmental tax or branch profits tax on any Holder of a Series of the Tax-Exempt Bonds, in the calculation of which is included the interest paid or payable under the Tax-Exempt Bonds.

"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.

"Faxton Campus" shall have the meaning assigned to such term in the recitals of the Indenture.

"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.

"Financial Institution" means (A) any national bank, banking corporation, trust company or other banking institution, whether acting in its individual or fiduciary capacity, organized under the laws of the United States, any state, any territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the Comptroller of the Currency or a comparable state or territorial official or agency; (B) an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state, a territory or the District of Columbia; (C) an investment company registered under the Investment Company Act of 1940 or a business development company as described in Section 2(a)(48) of that Act; (D) an employee benefit plan, including an individual retirement account, which is subject to the provisions of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company or registered investment company; or (E) institutional investors or other entities who customarily purchase commercial paper or tax-exempt securities in large denominations.

"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 Institution 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, Inc., a corporation organized and existing under the laws of State of New York, and its successors and assigns.

"Fixed Rate" means the Interest Rate Mode for the Initial Bonds in which the interest rate on the Initial Bonds is determined in accordance with Section 209(C)(3)(g) of the Indenture.

"Fixed Rate Mode" means a Rate Period with respect to a particular Series of the Bonds in which they bear interest at the Fixed Rate, commencing on the date they are initially issued in, or converted to, the Fixed Rate and ending on the earlier of the date when all the Bonds of such

Series are prepaid, subject to mandatory tender for purchase in connection with the Conversion to a new Interest Rate Mode or the maturity of such Series of the Bonds.

"Fixed Rate Period", with respect to a particular Series of the Bonds, means that period during which such Series of the Bonds shall bear interest at a Fixed Rate, (A) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest at the Fixed Rate, the date of issuance of such Series of the Bonds, and ending on the date when all of the Bonds of such Series are prepaid, subject to mandatory tender for purchase in connection with the Conversion to a new Interest Rate Mode or the maturity of such Series of the Bonds, and (B) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest in an Interest Rate Mode other than the Fixed to Maturity Rate Mode, the effective date of the Conversion of the Interest Rate Mode of such Series of the Bonds to the Fixed to Maturity Rate Mode, and ending on, and including, the date when all of the Bonds of such Series are prepaid, subject to mandatory tender for purchase in connection with the Conversion to a new Interest Rate Mode or the maturity of such Series of the Bonds.

"FRN Bonds" means Bonds that bear interest at FRN Rates.

"FRN Index" means the SIFMA Index, One Month LIBOR or such other index that the Institution shall select not less than five Business Days prior to the FRN Rate Conversion Date, as an index reasonably expected to measure contemporaneous variations in the cost of newly borrowed funds or inflation, as applicable.

"FRN Index Percentage" means the percentage determined by the Remarketing Agent pursuant to Section 209E of the Indenture with respect to the determination of the FRN Rate.

"FRN Interest Rate Period" means each period during the FRN Period for which a particular FRN Rate is in effect.

"FRN Period" means the entire period during which Bonds constitute FRN Bonds, which FRN Period shall generally be comprised of multiple FRN Interest Rate Periods, during which FRN Rates are in effect and ending on the day prior to the related FRN Rate Mandatory Purchase Date therefor.

"FRN Rate" means, with respect to the FRN Bonds in a particular FRN Interest Rate Period, the interest rate per annum on FRN Bonds during such FRN Interest Rate Period determined on each FRN Rate Determination Date as provided in Section 209E of the Indenture, which is equal to the sum of (a) the FRN Index multiplied by the FRN Index Percentage, plus (b) the FRN Spread.

"FRN Rate Adjustment Date" means, with respect to FRN Bonds, the day as determined by the Remarketing Agent prior to the FRN Rate Conversion Date, pursuant to Section 209E of the Indenture.

"FRN Rate Conversion Date" means (i) the date on which a conversion of the FRN Bonds into a new FRN Period occurs and (ii) the date on which a conversion of the Bonds to an FRN Period from an Interest Rate Period other than an FRN Period occurs.

"FRN Rate Determination Date" means, with respect to any FRN Bonds, with respect to any FRN Period, the Business Day, as determined by the Remarketing Agent pursuant to Section 209E of the Indenture, on which the FRN Rate is determined by the Calculation Agent for each FRN Interest Rate Period. The FRN Rate Determination Date for FRN Bonds shall be (a) during an FRN Period for which the FRN Index is the SIFMA Index, each Wednesday, or if such Wednesday is not a Business Day, the following Business Day, and (b) during an FRN Period for which the FRN Index is based on One Month LIBOR, the first Business Day of each calendar month.

"FRN Rate Hard Put Bonds" means those FRN Bonds that are required to be purchased on an FRN Rate Hard Put Mandatory Purchase Date, pursuant to the election of the Institution under Section 209 of the Indenture.

"FRN Rate Hard Put Mandatory Purchase Date" means, with respect to the FRN Rate Hard Put Bonds, the first day following the last day of each FRN Period.

"FRN Rate Mandatory Purchase Date" means, with respect to the FRN Bonds, each FRN Rate Hard Put Mandatory Purchase Date and FRN Rate Soft Put Mandatory Purchase Date.

"FRN Rate Mode" means the Interest Rate Mode during which the Bonds bear interest at FRN Rates.

"FRN Rate Soft Put Bonds" means any FRN Bonds that, pursuant to the election of the Institution under Section 209 of the Indenture, are required to be purchased on an FRN Rate Soft Put Mandatory Purchase Date, but only to the extent that (a) remarketing proceeds, (b) funds made available from a Credit Facility or a Liquidity Facility or (c) other amounts made available by the Institution, in its sole discretion, are available for such purchase.

"FRN Rate Soft Put Mandatory Purchase Date" means, with respect to the FRN Rate Soft Put Bonds, the first day following the last day of each FRN Period.

"FRN Spread" means, with respect to any FRN Period, the spread determined by the Remarketing Agent prior to the commencement of an FRN Period based on the relative spreads of securities that bear interest based on the applicable FRN Index and the applicable FRN Index Percentage that, in the reasonable judgment of the Remarketing Agent, under prevailing market conditions, are otherwise comparable to the Bonds or affect the market for the Bonds or affect such other comparable securities in a manner which, in the reasonable judgment of the Remarketing Agent, will affect the market for the Bonds (assuming for these purposes that the Bonds were to bear interest at FRN Rates for a particular FRN Period). The FRN Spread shall be the spread which, when added to or subtracted from the product of the applicable FRN Index multiplied by the FRN Index Percentage, will, in the judgment of the Remarketing Agent under

prevailing market conditions, result in the remarketing of such FRN Bonds in the new FRN Period at a purchase price equal to their principal amount.

"Fund" means any Fund designated and created pursuant to Section 401 of the Indenture.

"General Account" means the special account so named established with the Bond Fund pursuant to Section 401(A)(3)(e) of the Indenture.

"Government Obligations" means (A) cash, (B) direct obligations of the United States of America, (C) obligations unconditionally guaranteed by the United States of America and (D) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (B) or (C).

"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.

"Guarantor" means any guarantor of the obligations of the Institution under a Reimbursement Agreement.

"Holder" or "holder", when used with respect to a Bond, means Bondholder.

"Immediate Notice" means notice transmitted through a time-sharing terminal, if operative as between any two parties, or if not operative, 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 Institution or the Issuer to the Trustee, the Banks (if any) or the Credit Facility Issuer (if any) pursuant to any Financing Document, (C) the performance and observance by the Issuer and the Institution of all of the covenants, agreements, representations and warranties made for the benefit of the Trustee, the Banks (if any) or the Credit Facility Issuer (if any), pursuant to any Financing Document, (D) the monetary obligations of the Institution 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, penalties and late charges accruing on any of the foregoing.

"Indenture" means the trust indenture dated as of November 1, 2019 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 subject to the reasonable approval of the Banks (if any) and the Credit Facility Issuer (if any), and not a full-time employee of the Institution 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, with respect to the Initial Project, the date which is sixty (60) days prior to the earlier of (1) August 16, 2019 or (2) the date on which the Institution 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 Institution declares its official intent to reimburse expenditures made with respect to such Additional Project with proceeds of borrowed money.

"Initial Arbitrage Certificate" means the certificate dated the Closing Date for the Initial Bonds executed by the Issuer and relating to certain requirements set forth in Section 148 of the Code applicable to the Initial Bonds issued as Tax-Exempt Bonds and the Initial Project.

"Initial Bond Resolution" means the resolution of the members of the board of directors of the Issuer duly adopted on September 27, 2019 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" means the Issuer's Revenue Bonds (Mohawk Valley Health System Project), Series 2019 in the aggregate principal amount not to exceed $300,000,000, consisting of the $_____ Revenue Bonds (Mohawk Valley Health System Project), Series 2019A (Tax-Exempt) (the "Series 2019A Bonds") and the $_____ Multi-Mode Revenue Bonds (Mohawk Valley Health System Project), Series 2019B (Taxable) (the "Series 2019B Bonds") issued pursuant to the Initial Bonds Resolution and Article II of the Indenture and sold to the Underwriter, in substantially the form attached to the Indenture as Schedule III thereto, and any Initial Bonds issued in exchange or substitution therefor.

"Initial Depository Letter" means any letter of representations by and among the Issuer and the Depository relating to the obligations of the Issuer, including the Bonds, and any amendments or supplements thereto entered into with respect thereto.

"Initial Equipment" means all materials, machinery, equipment, fixtures, furnishings or other personal property intended to be acquired with the proceeds of the Initial Bonds, or acquired with any payment which the Institution incurred in anticipation of the issuance of the Initial Bonds and for which the Institution 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, but not limited to the Initial Equipment described in the recitals to the Indenture.

"Initial Facility" means all buildings (or portions thereof), improvements, structures and other related facilities, and improvements thereto, (A) located in the Initial Project Facility, (B) financed or refinanced with the proceeds of the sale of the Initial Bonds or any payment which the Institution incurred in anticipation of the issuance of the Initial Bonds and for which

the Institution will be reimbursed from the proceeds of the Initial Bonds or any payment made by the Institution pursuant to Section 3.5 of the Loan Agreement, and (C) not constituting a part of the Initial Equipment, all as they may exist from time to time, including, but not limited to the Current Project Facility, the SEMC Hospital Facility, the Faxton Campus, the St. Luke's Hospital Facility and the Prior Project Facilities.

"Initial Financing Documents" means the Indenture, the Initial Bonds, the Loan Agreement, the Pledge and Assignment, the Initial Tax Documents, the Initial Master Trust Indenture, the Initial Master Note, the Bond Purchase Agreement and any other document now or hereafter executed by the Issuer or the Institution in favor of the Holders of the Initial Bonds or the holder of the Initial Master Note 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 the Initial Master Note or any other Initial Financing Document, each as amended from time to time, and all documents related thereto and executed in connection therewith.

"Initial Fixed Rates" shall be the initial Fixed Rate of interest established for the Initial Bonds pursuant to the Bond Purchase Agreement.

"Initial Land" means the land acquired or to be acquired in connection with the New Hospital Facility, the Parking Facility Land, the MOB Land and any other land relating to the Current Project Facility and the Prior Project Facilities.

"Initial Master Note" means Obligation No. 1 issued by the Obligated Group pursuant to and in accordance with the Initial Master Trust Indenture.

"Initial Master Trust Indenture" means, collectively, the Original Master Indenture, as supplemented by the Initial Supplemental Master Indenture, as the same may be amended or supplemented from time to time.

"Initial Project" shall have the meaning assigned to such term in the third recital clause to the Indenture and the Loan Agreement.

"Initial Project Facility" means, collectively, the Initial Equipment, Prior Project Facilities, the Current Project Facility, and the EPIC System.

"Initial Supplemental Master Trust Indenture" means the Institution's Supplemental Master Trust Indenture Number 1 dated as of November 1, 2019, by and between the Institution, for itself and as Obligated Group Representative on behalf of the Obligated Group, and the Master Trustee, authorizing the issuance of the Initial Master Note.

"Initial Tax Documents" means, collectively, the Initial Arbitrage Certificate and the Initial Tax Regulatory Agreement.

"Initial Tax Regulatory Agreement" means the tax regulatory agreement dated the Closing Date for the Initial Bonds issued as Tax-Exempt Bonds executed by the Institution in favor of the Issuer and the Trustee regarding, among other things, the restrictions prescribed by

the Code in order for interest on the Initial Bonds issued as Tax-Exempt Bonds to be and remain excludable from the gross income of the Holders thereof for federal income tax purposes.

"Insider" means any entity referred to or described in accordance with the standards set forth in Section 101(31) of the Bankruptcy Code, assuming for this purpose that the Issuer, the Institution, any Guarantor, or any Affiliate of any of them, as applicable, is a debtor, and any limited partner or limited liability company member thereof.

"Institution" means Mohawk Valley Health System, a not-for-profit corporation organized and existing under the laws of the State of New York ("MVHS") and its successors and assigns, to the extent permitted by Section 8.4 of the Loan Agreement.

"Institutions" mean collectively MVHS, Faxton-St. Luke's Healthcare, a not-for-profit corporation organized and existing under the laws of the State of New York and St. Elizabeth Medical Center, a not-for-profit corporation organized and existing under the laws of the State of New York.

"Insurance and Condemnation Fund" means the fund so designated established pursuant to Section 401(A)(4) of the Indenture.

"Interest Payment Date" means (A) with respect to any Additional Bonds, the Interest Payment Dates on said Additional Bonds, as established pursuant to the supplemental Indenture authorizing issuance of said Additional Bonds, and (B) with respect to the Initial Bonds, (1) while the Initial Bonds bear interest in the Daily Rate Mode, the Weekly Rate Mode or the FRN Rate Mode, the first Business Day of each month, (2) while the Initial Bonds bear interest in the Semi-Annual Rate Mode, the Long-Term Rate Mode or the Fixed Rate Mode, June 1 and December 1 of each year, and (3) while the Initial Bonds bear interest in the Bank Purchase Fixed Rate Mode or the Bank Purchase Variable Rate Mode, the first day of each calendar month during the term of the Initial Bonds. In any case, the final Interest Payment Date relating to the Initial Bonds shall be the Maturity Date of the Initial Bonds.

"Interest Period" means, for all Bonds, the period from and including each Interest Payment Date to and including the day next preceding the next Interest Payment Date. The first Interest Period for the Initial Bonds shall begin on (and include) the date of the initial delivery of the Initial Bonds. The final Interest Period for a Bond shall end on the Maturity Date (or redemption date) for such Bond. Notwithstanding the foregoing, while the Bonds are in the Bank Purchase Variable Rate Mode, "Interest Period" shall mean, the period commencing on the Closing Date or any Interest Payment Date (as the case may be) and ending on, as applicable, the next succeeding Interest Payment Date or the Interest Payment Date of the calendar month that is one (1) month thereafter (as applicable in accordance with the LIBOR Rate in effect); provided, however, that if an Interest Period would end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the immediately preceding Business Day. To the extent that the preceding clause results in either the extension or shortening of an Interest Period, the Bank shall have the right (but not the obligation) to shorten or extend, respectively, the succeeding Interest Period so that it shall end on a day that numerically corresponds to the intended Interest Payment Date.

"Interest Rate Mode" means the Bank Purchase Fixed Rate Mode, the Bank Purchase Variable Rate Mode, the Daily Rate Mode, the Weekly Rate Mode, the FRN Rate Mode, the Semi-Annual Rate Mode, the Long-Term Rate Mode or the Fixed Mode, as the case may be.

"Issuer" means (A) Oneida 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 Oneida County Local Development Corporation or its successors or assigns may be a party.

"Land" means the Initial Land and any Additional Land.

"Letter of Representation" means the Depository Letter.

"LIBOR Rate" or "One Month LIBOR" means the rate for deposits in U.S. dollars with one month maturity as published by Reuters (or such other service as may be nominated by the Intercontinental Exchange, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, two London Banking Days prior to the Index Reset Date, except that, if such rate is not available two London Banking Days prior to the Index Reset Date, One Month LIBOR means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one month maturity and in a principal amount of at least U.S. $1,000,000 are offered at approximately 11:00 a.m., London time, two London Banking Days prior to the Index Reset Date, to prime banks in the London interbank market by three reference banks selected by the Calculation Agent. The Calculation Agent shall request the principal London office of each of such reference banks to provide a quotation of its rate. If at least two such quotations are provided, One Month LIBOR will be the arithmetic mean of such quotations. If fewer than two quotations are provided, One Month LIBOR will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Calculation Agent, at approximately 11:00 a.m., New York City time, two London Banking Days prior to the Index Reset Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. $1,000,000 having a one month maturity. If One Month LIBOR has been permanently discontinued, the Calculation Agent will use as directed by the Institution, as a substitute for One Month LIBOR and for each future interest determination date, the alternative reference rate selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) that is consistent with accepted market practice (the "Alternative Rate"). As part of such substitution, the Calculation Agent will, as directed by the Institution, make such adjustments to the Alternative Rate or the spread thereon, as well as the Business Day convention, interest determination dates and related provisions and definitions ("Adjustments"), in each case that are consistent with accepted market practice for the use of such Alternative Rate for debt obligations such as the Bonds. If provided however that there is no clear market consensus as to whether any rate has replaced LIBOR in customary market usage, the Institution will appoint in its sole discretion an independent financial advisor (the "IFA") to determine an appropriate Alternative Rate, and any Adjustments, and the decision of the IFA will be binding on the Authority, the Calculation Agent and the bondholders. Any replacement rate must be an interest-based index, variations in the value of which can reasonably be expected to measure contemporaneous variations in the costs of newly borrowed funds in United States Dollars.

"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 of the Indenture, 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" means the loan by the Issuer of the proceeds received from the sale of the Bonds to the Institution pursuant to the provisions of the Loan Agreement.

"Loan Agreement" means the Loan Agreement dated as of November 1, 2019 by and between the Issuer and the Institution, as said loan agreement may be amended or supplemented from time to time.

"Loan Payments" means the amounts required to be paid by the Institution pursuant to the provisions of Section 5.1 of the Loan Agreement.

"Long-Term Rate" means the Interest Rate Mode for the Initial Bonds in which the interest rate on the Initial Bonds is determined in accordance with Section 209(C)(3)(f) of the Indenture.

"Long-Term Rate Mode" means a Rate Period with respect to a particular Series of the Bonds in which they bear interest at the Long-Term Rate, commencing on the date they are converted to the Long-Term Rate and ending on a date when all the Bonds of such Series are prepaid, subject to mandatory tender for purchase in connection with conversion to a new Interest Rate Mode or the maturity of such Series of the Bonds.

"Long-Term Rate Period", with respect to a particular Series of the Bonds, means that period during which such Series of the Bonds shall bear interest at a Long-Term Rate, (A) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest at the Long-Term Rate, the date of issuance of such Series of the Bonds, and ending on, and including, the day preceding the Interest Payment Date selected by the Institution in accordance with the requirements of Section 209(D) of the Indenture and each period of the same duration (or as close as possible) ending on the day preceding an Interest Payment Date thereafter until the earliest of the day preceding the change to a different Long-Term Rate Period, the effective date of the Conversion of the Interest Rate Mode of such Series of the Bonds to another Interest Rate Mode, the date when all of the Bonds of such Series are prepaid or the maturity of such Series of the Bonds, and (B) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest in an Interest Rate Mode other than the Long-Term Rate Mode, the effective date of the Conversion of the Interest Rate Mode of such Series

of the Bonds to the Long-Term Rate Mode, and ending on, and including, the day preceding the Interest Payment Date selected by the Institution in accordance with the requirements of Section 209(D) of the Indenture and each period of the same duration (or as close as possible) ending on the day preceding an Interest Payment Date thereafter until the earliest of the day preceding the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode, the date when all of the Bonds of such Series are prepaid or the maturity of such Series of the Bonds.

"Market Rate" means lowest fixed rate of interest which in the opinion of the Remarketing Agent, after giving consideration to prevailing conditions in the financial markets for securities comparable to the Initial Bonds, the financial condition and prospects of the Institution and other relevant factors, would result in the Initial Bonds trading, on the Adjustment Date, at par.

"Master Trust Indenture" means (A) with respect to the Initial Bonds, the Initial Master Trust Indenture, and (B) with any respect to any series of Additional Bonds, any similar documents executed by the Institution in connection with the issuance of such series of Additional Bonds.

"Master Note" means (A) with respect to the Initial Bonds, the Initial Master Note, and (B) with respect to any series of Additional Bonds, any similar obligation executed by the Obligated Group Representative on behalf of the Obligated Group, in connection with the issuance of such series of Additional Bonds.

"Master Trustee" means The Bank of New York Mellon, a banking corporation organized and existing under the laws of the State of New York, or any successor trustee or co-trustee, acting as trustee under the Initial Master Trust Indenture.

"Maturity Date" means, with respect to any Bond, the final Stated Maturity of the principal of such Bond.

"Maximum Rate" means the maximum interest rate established by Section 209(I) of the Indenture.

"Member" means any member of the Obligated Group pursuant to the Master Trust Indenture.

"MOB Land" shall have the meaning assigned to such term in the recitals of the Indenture.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, 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 Trustee, with the consent of the Institution.

"Multiemployer Plan" shall mean any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Institution or any ERISA Affiliate makes or is

obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"National Prime Rate" means a per annum rate of interest equal to the highest "prime rate" of interest quoted, from time to time, in the Money Rates column of the Wall Street Journal as the "base rate on corporate loans at large U.S. money center commercial banks", provided, however, that in the event that the Wall Street Journal does not publish the National Prime Rate, the National Prime Rate shall be the per annum rate of interest quoted as the "Bank Prime Loan Rate" for "this week" in Statistical Release H.15 (519) published from time to time by the Board of Governors of the Federal Reserve System calculated on actual days elapsed in a year of 360 days, such rate to be adjusted each Business Day based on the National Prime Rate as reported for the previous Business Day. Any provisions to the contrary notwithstanding, in no event shall the National Prime Rate be established beyond the maximum rate allowed by law.

"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.

"New Hospital Facility" has the meaning ascribed to such term in the recitals of the Indenture.

"Obligated Group" has the meaning ascribed to such term in the recitals of the Indenture.

"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.

"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.

"Original Master Indenture" means the amended and restated master trust indenture dated as of November 1, 2019 by and between the Obligated Group and the Master Trustee as the same may be further supplemented or amended from time to time.

"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 cancelled or deemed cancelled by the Trustee or theretofore delivered to the Trustee for cancellation;

(B) Bonds for the payment or redemption of which moneys or Government 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.

In determining whether the Owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are held by or on behalf of the Institution (unless all of the outstanding Bonds are then owned by the Institution) shall be disregarded for the purpose of any such determination. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee establishes to the satisfaction of the Bond Registrar the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Institution. If the Indenture shall be discharged pursuant to Article X thereof, no Bonds shall be deemed to be Outstanding within the meaning of this definition.

"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.

"Parking Facility Land" shall have the meaning assigned to such term in the recitals of the Indenture.

"Participant" shall have the meaning assigned to such term in Section 213(B) of the Indenture.

"Paying Agent" or "Co-Paying Agent" means any national banking association, federal savings bank, bank and trust company or trust company appointed by the Institution and meeting the qualifications of, and subject to the obligations of, the Trustee in Article XI of the Indenture. "Principal Office" of any Paying Agent shall mean the office thereof designated in writing to the Trustee.

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Pension Plan" shall mean any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Institution or any ERISA Affiliate or to which the Institution or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

"Permitted Encumbrances" means (A) any Lien on the Project Facility obtained through any Financing Document, (B) any Lien on the Project Facility in favor of the Trustee and (C) any Permitted Liens, as defined in Section 8.10 of the Initial Master Trust Indenture.

"Person" means an individual, partnership, corporation, limited liability company, trust, unincorporated organization or Governmental Authority.

"Pledge and Assignment" means the pledge and assignment dated as of November 1, 2019 from the Issuer to the Trustee, and acknowledged by the Institution, pursuant to which the Issuer has assigned to the Trustee its rights under the Loan Agreement (except the Unassigned Rights), as said pledge and assignment may be amended or supplemented from time to time.

"Pledged Bonds" means any Bond at any time purchased, in whole or in part, with the proceeds of a draw on the Credit Facility (if any) upon tender of such Bond and held by the Trustee as nominee for the Credit Facility Issuer (if any), pursuant to the provisions of Section 305 of the Indenture and any Bond Pledge Agreement.

"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.

"Prepayment Penalty" means, while the Banks or their successors are the Holders, if the interest rate in effect at the time of any optional redemption pursuant Section 301(B)(3) of the Indenture or mandatory purchase pursuant to Section 304(B)(1) of the Indenture is the Bank Purchase Variable Rate (whether in effect since the date of the issuance of the Bonds or any subsequent date in connection with an interest rate adjustment) and such prepayment occurs on a date other than an Interest Payment Date, as consideration of the privilege of making such prepayment or purchase, the Institution shall pay to the Banks or their successors a premium equal to the higher of $250.00 or the actual amount of the liabilities, expenses, costs or funding losses that are a direct or indirect result of such prepayment or other condition described above, whether such liability, expense, cost or loss is by reason of (a) any reduction in yield, by reason of the liquidation or reemployment of any deposit or other funds acquired by the Bank, (b) the fixing of the interest rate payable on any LIBOR-based loan or (c) otherwise. The determination by the Bank of the foregoing amount shall, in the absence of manifest error, be conclusive and binding upon Issuer and the Institution.

"Prime Rate" means that interest rate established from time to time by the Bank, or if a Credit Facility is then held by the Trustee, the Credit Facility Issuer, as its Prime Rate, whether or not such rate is publicly announced. The Prime Rate may not be the lowest rate charged by the Bank or the Credit Facility Issuer (if any), as the case may be, for commercial or other extensions of credit. Any change in the Prime Rate shall be effective on the date such rate is raised or lowered at the Bank or the Credit Facility Issuer (if any), as the case may be, with or without notice to the Institution.

"Prime Rate Margin" means, with respect to the calculation of the Bank Purchase Tax Exempt Variable Rate, 1.0% (100 basis points) and with respect to the calculation of the Bank Purchase Taxable Variable Rate, 2.00% (200 basis points) per annum.

"Principal Payment Date" means (A) with respect to the Initial Bonds, (1) each Interest Payment Date on which a Sinking Fund Payment is due on the Bonds, (2) after the Conversion Date, the annual payment date for the payment of principal on the Initial Bonds and (3) 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 Project Facilities" has the meaning ascribed to such term in the recitals of the Indenture.

"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 Costs" means Costs of the Project.

"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)(2) of the Indenture.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Purchase Date" means any day on which Bonds which are tendered or deemed tendered for purchase to the Tender Agent are to be purchased at the Purchase Price pursuant to the Indenture; provided, however, that if any such date shall not be a Business Day, such Purchase Date shall be the next succeeding Business Day.

"Purchase Price" means an amount equal to one hundred percent (100%) of the principal amount of any Bond tendered or deemed tendered pursuant to Section 304 or Section 305 of the Indenture, plus accrued and unpaid interest thereon to the Purchase Date.

"Qualified Financial Institution" means a bank, trust company, national banking association, insurance company or other financial services company whose unsecured long term debt obligations or insurance claims paying abilities (as applicable) are rated by a Rating Agency and, as to any such Rating Agency, in any of its four (4) highest Rating Categories.

"Qualifying Alternate Credit Facility" means an Alternate Credit Facility in connection with which the Trustee shall have received (A) if the Bonds are then rated by a Rating Agency, written evidence (or such other evidence satisfactory to the Trustee) from the Rating Agency then rating the Bonds to the effect that such Rating Agency has reviewed the proposed Alternate Credit Facility and that the substitution of the Alternate Credit Facility will not, by itself, result in (1) a permanent withdrawal of its rating of the Bonds or (2) the reduction of the current rating of the Bonds, or (B) if the Bonds are not then rated by a Rating Agency, written evidence (or such other evidence satisfactory to the Trustee) that the Alternate Credit Facility would be issued by the Credit Facility Issuer which, or the parent corporation of which, has a long-term debt

rating assigned by a Rating Agency which is equal to or better than the rating of the Credit Facility Issuer being replaced.

"Rate Period" means the Bank Purchase Fixed Rate Period, the Bank Purchase Variable Rate Period, the Daily Rate Period, the Weekly Rate Period, the FRN Period, the Semi-Annual Rate Period, the Long-Term Rate Period or the Fixed Rate Period, as the case may be.

"Rating Agency" means Fitch, if the Bonds are rated by Fitch at the time, Moody's, if the Bonds are rated by Moody's at the time, and Standard & Poor's, if the Bonds are rated by Standard & Poor's at the time, and their successors and assigns.

"Rebate Amount" shall have the meaning assigned to such term in the Tax Documents.

"Rebate Fund" means the fund so designated established pursuant to Section 401(A)(5) of the Indenture.

"Rebate Fund Earnings Account" means the special account so designated within the Rebate Fund established pursuant to Section 401(A)(5)(b) of the Indenture.

"Rebate Fund Principal Account" means the account so designated within the Rebate Fund established pursuant to Section 401(A)(5)(a) 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 Premium Account" means the Redemption Premium Account created under Section 401(A)(3)(c) of 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.

"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 (15^{th}) day (whether or not a Business Day) of the calendar month preceding the calendar month in which such Interest Payment Date occurs.

"Reimbursement Agreement" means, with respect to any Credit Facility, any agreement of the Institution with the Credit Facility Issuer in connection with the issuance of such Credit Facility setting forth the obligations of the Institution to such Credit Facility Issuer arising out of any payments under the Credit Facility and which provides that it shall be deemed to be a Reimbursement Agreement for the purpose of the Indenture.

"Related Person" means any Person constituting a "related person" within the meaning ascribed to such quoted term in Section 144(a)(3) of the Code, except when used in connection

with the phrase "substantial user", in which case the phrase "Related Person" shall have the meaning set forth in Section 147(a) of the Code.

"Remarketing Agent" means any entity serving as remarketing agent for the Bonds pursuant to the Indenture. "Principal Office" of the Remarketing Agent means the office designated as such in writing to the Institution, the Trustee and the Tender Agent.

"Remarketing Agreement" means (A) with respect to a particular Series of Bonds, a remarketing agreement between the Issuer and a Remarketing Agent, between the Institution and a Remarketing Agent or among the Issuer, the Institution and a Remarketing Agent relating to the remarketing of such Series of Bonds, and (B) with respect to any Series of Additional Bonds, any similar document executed by the Institution in connection with the issuance of such Series of Additional Bonds

"Remarketing Proceeds Account" means the Remarketing Proceeds Account created under Section 401(A)(3)(d) of the Indenture.

"Request for Disbursement" means a request from the Institution, as agent of the Issuer, signed by an Authorized Representative of the Institution, 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 3.3 of the Loan Agreement, which Request for Disbursement shall be in substantially the form of Schedule IV attached to the Indenture.

"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.

"Securities Act" means the Securities Act of 1933, as amended.

"SEMC Hospital Facility" shall have the meaning assigned to such term in the recitals of the Indenture.

"Semi-Annual Rate" means the Interest Rate Mode for the Bonds in which the interest rate on the Bonds is determined in accordance with Section 209(C)(3)(e) of the Indenture.

"Semi-Annual Rate Mode" means a Rate Period with respect to a particular Series of the Bonds in which they bear interest at the Semi-Annual Rate, commencing on the date they are converted to the Semi-Annual Rate and ending on a date when all the Bonds of such Series are prepaid, subject to mandatory tender for purchase in connection with Conversion to a new Interest Rate Mode or the maturity of such Series of the Bonds.

"Semi-Annual Rate Period", with respect to a particular Series of the Bonds, means that period during which such Series of the Bonds shall bear interest at a Semi-Annual Rate, (A) beginning on, and including, with respect to a Series of Bonds initially issued bearing

interest at the Semi-Annual Rate, the date of issuance of such Series of the Bonds, and ending on, and including, the day preceding the next Interest Payment Date thereafter and each successive six (6) month period thereafter until the day preceding Conversion of such Series of the Bonds to a different Interest Rate Mode, the date when all of the Bonds of such Series are prepaid or the maturity of such Series of the Bonds, and (B) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest in an Interest Rate Mode other than the Semi-Annual Rate Mode, the effective date of the Conversion of the Interest Rate Mode of such Series of the Bonds to the Semi-Annual Rate Mode, and ending on, and including, the day preceding the next Interest Payment Date thereafter and each successive six (6) month period thereafter until the day preceding Conversion of such Series of the Bonds to a different Interest Rate Mode, the date when all of the Bonds of such Series are prepaid or the maturity of such Series of the Bonds.

"SEQRA" means Article 8 of the Environmental Conservation Law of the State and the statewide and local regulations thereunder.

"Series" or "Series of Bonds" means all of the Bonds of a single Series authenticated and delivered pursuant to the Indenture.

"SIFMA" means the Securities Industry & Financial Markets Association (formerly the Bond Market Association).

"SIFMA Index" means, on any date, a rate determined on the basis of the seven day high grade market index of tax exempt variable rate demand obligations, as produced by Bloomberg (or successor organizations) and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Institution and effective from such date or if such index is no longer produced or available, either (i) the S&P Municipal Bond 7 Day High Grade Rate Index as produced and made available by S&P Dow Jones Indices LLC (or successor organizations) or (ii) with a Favorable Opinion of Bond Counsel, such other index designed to measure the average interest rate on weekly interest rate reset demand bonds similar to the Bonds as selected by the Institution after consulting with the Direct Purchaser, as most closely approximating SIFMA and which is procedurally acceptable to the Calculation Agent. If the SIFMA Index is ever less than zero, then for purposes of determining the interest rate on the Bonds, the SIFMA Index shall be deemed to be zero.

"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(D)(2) 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, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency,

"Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, with the consent of the Institution.

"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 Documents" means, collectively, (A) with respect to the Initial Bonds, the Initial Tax Documents 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 Institution in connection with the issuance 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 Section 145 of the Code, including but not limited to the Series 2019A Bonds.

"Tax Incidence Date" means, with respect to any recipient of interest paid or payable on any Tax-Exempt Bond, the first such date of the period for which any interest paid or payable on such Tax-Exempt Bond was or is includable in the gross income of such recipient thereof for purposes of income taxation under the laws of the United States, without regard to whether or not any such recipient exercised any or all of the rights or remedies granted such recipient by the Financing Documents or by law.

"Tax Regulatory Agreement" means (A), with respect to the Initial Bonds, the Initial Tax Regulatory Agreement and (B) with respect to any Series of Additional Bonds intended to be issued as Tax-Exempt Bonds, any similar document executed by the Institution in connection with the issuance and sale of such Series of Additional Bonds.

"Taxable Bond" means any Bond that is not issued as a Tax-Exempt Bond.

"Tender Agent" means the initial and any successor tender agent appointed in accordance with Section 715 of the Indenture. "Principal Office" of the Tender Agent means the office thereof designated as such in writing to the Trustee, the Institution and the Remarketing Agent.

"Tendered Bond" means any Bond or portion thereof which is the subject of (A) a demand from the Owner thereof that such Bond be purchased pursuant to Section 304(A) of the Indenture or (B) a mandatory purchase pursuant to Section 304(B) of the Indenture.

"Term Bonds" means Bonds having a single stated maturity for which Sinking Fund Installments are specified in Section 301(B) of the Indenture (or, if such Bonds are Additional Bonds, in the supplemental indenture authorizing the issuance of such Bonds).

"Termination of Loan Agreement" means a termination of Loan Agreement by and between the Institution, as borrower, and the Issuer, as lender, intended to evidence the termination of the Loan Agreement, substantially in the form attached as Exhibit A to the Loan Agreement.

"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 Institution 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 Institution to secure the Bonds or performance of their respective obligations under the Loan Agreement and the Indenture, (C) all payments received by the Trustee under the Initial Master Note, (D) the Net Proceeds (except proceeds with respect to the Unassigned Rights) of insurance settlements and Condemnation awards with respect to the Project Facility, (F) 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, (3) moneys deposited with the Trustee or the Tender Agent for the purchase of Tendered Bonds, and (4) as specifically otherwise provided, and (G) 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 The Bank of New York Mellon, a banking corporation organized and existing under the laws of the State of New York, or any successor trustee or co-trustee acting as trustee under the Indenture.

"Unassigned Rights" means the moneys and/or any indemnification due and to become due to the Issuer, for its own account or the directors, officers, agents and employees of the Issuer for its own account pursuant to the Loan Agreement and the right to enforce the foregoing pursuant to the Loan Agreement. Notwithstanding the preceding sentence, to the extent the obligations of the Institution listed above do not relate to the payment of moneys and/or any indemnification to the Issuer, for its own account or to the directors, officers, agents 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 Pledge and Assignment, shall be deemed to and shall constitute obligations of the Institution to the Issuer and the Trustee, jointly and severally, and either the Issuer or the Trustee may commence an action to enforce the Institution's obligations under the Loan Agreement.

"Undelivered Bond" means (A) a Tendered Bond required to be tendered pursuant to Section 304 of the Indenture whose Owner has failed to provide the Trustee with the notice of the Owner's election not to tender such Bond as described in Section 304 of the Indenture and whose Owner has failed to deliver such Bond to the Trustee for purchase at the Purchase Price on the Conversion Date or the Alternate Security Date, as the case may be, with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank and (B) a Tendered

Bond with respect to which the Owner thereof has delivered to the Trustee a tender notice pursuant to Section 304(A) of the Indenture whose Owner has failed to tender such Bond to the Trustee in accordance with Section 304(C) of the Indenture for purchase at the Purchase Price on the Repurchase Date, with an appropriate endorsement for transfer or accompanied by a bond power endorsement in blank.

"Underwriter" means Barclays Capital Inc.

"Weekly Rate" means the Interest Rate Mode for the Bonds in which the interest rate on the Bonds is a variable rate that is determined weekly in accordance with Section 209(C)(3)(d) of the Indenture.

"Weekly Rate Mode" means a Rate Period with respect to a particular Series of the Bonds in which they bear interest at the Weekly Rate, commencing on the date they are converted to the Weekly Rate and ending on a date when all the Bonds of such Series are prepaid, subject to mandatory tender for purchase in connection with Conversion to a new Interest Rate Mode or the maturity of such Series of the Bonds.

"Weekly Rate Period", with respect to a particular Series of the Bonds, means that period during which such Series of the Bonds shall bear interest at a Weekly Rate, (A) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest at the Weekly Rate, the date of issuance of such Series of the Bonds, and ending on, and including, the effective date of the Conversion of the Interest Rate Mode of such Series of the Bonds to another Interest Rate Mode, the date when all of the Bonds of such Series are prepaid or the maturity of such Series of the Bonds, and (B) beginning on, and including, with respect to a Series of Bonds initially issued bearing interest in an Interest Rate Mode other than the Weekly Rate Mode, the effective date of the Conversion of the Interest Rate Mode of such Series of the Bonds to the Weekly Rate Mode, and ending on, and including, the effective date of the Conversion of the Interest Rate Mode of such Series of the Bonds to another Interest Rate Mode, the date when all of the Bonds of such Series are prepaid or the maturity of such Series of the Bonds.

"Yield", when used with respect to the Initial Bonds, shall have the meaning assigned to such term in the Initial Tax Regulatory 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 "INTRODUCTORY STATEMENT", "THE BONDS," and "SECURITY AND SOURCES OF PAYMENT FOR THE 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)*

Except for substitute Bonds and Additional Bonds issued pursuant to the Indenture, the total aggregate principal amount of Bonds that may be issued under the Indenture is expressly limited to $300,000,000.

Limited Obligations *(Section 202)*

The Bonds, together with the premium, if any, and interest thereon, will be limited obligations of the Issuer payable, with respect to the Issuer, solely from the Trust Revenues, which Trust Revenues are pledged and assigned for the equal and ratable payment of all sums due under the Bonds, and will be used for no other purpose than to pay the principal of, including Sinking Fund Payments, 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 OF NEW YORK OR OF ONEIDA COUNTY, NEW YORK AND NEITHER THE STATE OF NEW YORK NOR ONEIDA 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 OF NEW YORK OR ONEIDA COUNTY, NEW YORK.

No recourse shall be had for the payment of the principal of, including Sinking Fund Payments, 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 Institution), 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 will execute and deliver the Initial Bonds (including a reasonable number of additional Initial Bonds to be retained by the Trustee for authentication and delivery upon transfer or exchange of any Initial Bonds) to the Trustee, and the Trustee will 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:

(1) a certified copy of the Initial Bonds Resolution;

(2) executed counterparts of the Indenture, the Loan Agreement and the other Initial Financing Documents;

(3) an executed original of the Initial Master Note and a certified copy of the executed Master Trust Indenture;

(4) 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 the Underwriter upon payment to the Trustee for the account of the Issuer of the purchase price therefor specified in such request and authorization;

(5) signed copies of the opinions of counsel to the Institution, the Underwriter, the Trustee, the Master Trustee and of Bond Counsel;

(6) the certificates and policies, if available, of the insurance required by the Loan Agreement;

(7) evidence that a completed Internal Revenue Service Form 8038 with respect to the Series 2019A Bonds has been signed by the Issuer; and

(8) such other documents as the Trustee, the Underwriter or Bond Counsel may reasonably require.

Establishment of Funds *(Section 401)*

The Indenture creates five trust funds (and various accounts therein) to be held by the Trustee: (1) the Costs of Issuance Fund and, within the Costs of Issuance Fund, the following special accounts: (a) the Series 2019A Costs of Issuance Account; (b) the Series 2019B Costs of Issuance Account, and (c) an additional, separate account for each Series of Additional Bonds, each such additional account to be known as the "Series 2019_ Costs of Issuance Account," with the blank to be filled in with the same Series designation as borne by the related Series of Additional Bonds; (2) the Project Fund, and within the Project Fund, the following special accounts: (a) the Series 2019A Project Account; (b) the Series 2019B Project Account; and (c) an additional, separate account for each Series of Additional Bonds, each such additional account to be known as the "Series 2019__ Project Account," with the blank to be filled in with the same Series designation as borne by the related Series of Additional Bonds; (3) the Bond Fund, and within the Bond Fund, the following special accounts: (a) the Bond Fund Credit Facility Account; (b) the Bond Fund Defeasance Account; (c) the Bond Fund Redemption Premium Account; (d) the Bond Fund Remarketing Proceeds Account; and (e) the Bond Fund General Account; (4) the Insurance and Condemnation Fund; and (5) the Rebate Fund, and, within the Rebate Fund, the following special accounts: (a) the Rebate Fund Principal Account; and (b) the Rebate Fund Earnings Account.

The funds created under the Indenture will be maintained by the Trustee and will 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 accepts by the Indenture. 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) for the purchase of Tendered Bonds, or (c) 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 the Bonds *(Section 402)*

The net proceeds from the sale of the Initial Bonds will be paid by the Issuer, for and on behalf of the Institution, to the Trustee, and the Trustee shall deposit and apply such proceeds in the Series 2019A Costs of Issuance Account, the Series 2019B Costs of Issuance Account, the Series 2019A Project Fund, the Series 2019B Project Fund in accordance with the Indenture.

Moneys on deposit in the Costs of Issuance Fund will be paid out from time to time by the Trustee upon Written Requests of the Institution, in substantially the form attached to the Indenture, in amounts equal to the amount of Costs of Issuance certified in such Written Requests. At such time as the Trustee is furnished with an Officer's Certificate stating that all Costs of Issuance have been paid, and in any case not later than six months from the Closing Date, the Trustee shall transfer any moneys remaining in the Costs of Issuance Fund to the Bond Fund. Monies in the Costs of Issuance Account will be applied to pay legal, accounting, financial advisor and other costs and expenses incidental to the issuance of the Bonds.

The amounts held in the Project Fund shall be disbursed in accordance with the provisions of Section 404 of the 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 Costs of Issuance Fund or Project Fund shall be deposited in the appropriate account relating to such Additional Bonds within the Costs of Issuance Fund or Project Fund, as the case may be.

Transfers of Trust Revenues to Funds *(Section 403)*

Commencing on the first date on which Loan Payments are received from the Institution pursuant to Section 5.1(A) of the Loan Agreement, and thereafter, the Trustee shall deposit such payments, upon the receipt thereof, into the General Account of the Bond Fund, as provided in Section 405(A) of the Indenture. The Net Proceeds of any insurance settlement or Condemnation award received by the Trustee shall, upon receipt thereof, be deposited into the Insurance and Condemnation Fund.

The Project Fund *(Section 404)*

In addition to moneys deposited in the Project Fund from the proceeds of the sale of the Bonds, 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 such other Financing Documents, are to be deposited in the Project Fund. Moneys on deposit in the various Project Accounts of the Project Fund with respect to the Initial Bonds shall be disbursed and applied by the Trustee to pay the Costs of the Project relating to the Initial

Project pursuant to the provisions of Section 3.3 of the Loan Agreement, Section 404 of the Indenture and the Initial Tax Regulatory Agreement. 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 authorized and directed by the Indenture to disburse the balance of the moneys on deposit in the Project Fund relating to the Initial Bonds to pay Costs of the Project relating to the Initial Project upon receipt by the Trustee of a Request for Disbursement, in substantially the forms attached to the Indenture, certified to by an Authorized Representative of the Institution in accordance with the applicable provisions of the Indenture and the Loan Agreement and the Initial Tax Regulatory Agreement. 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. Notwithstanding the foregoing, the Trustee is authorized and directed by the Indenture to disburse moneys on deposit in the Project Fund relating to the Initial Bonds to pay the Cost of the Project described in Section 3.3(A)(7) of the Loan Agreement without a Request for Disbursement or any other authorization from any Person.

Moneys on deposit in the Project Fund may be invested in Authorized Investments in accordance with Section 410 the Indenture. All interest and other income accrued and earned on amounts held in the Project Fund will be deposited by the Trustee into the appropriate account of the Project Fund related to such monies and may be used to pay the Costs of the Project related to such account.

Except for any amount retained for the payment of incurred and unpaid items of the Cost of the Project, after the Completion Date related to a particular Project, all moneys in the related account in the Project Fund (in excess of any amount required to be transferred to the Rebate Fund pursuant to Section 407 of the Indenture and the Tax Documents) shall be transferred from the Project Fund to the Bond Fund, to be applied to the redemption of a portion of the Bonds then Outstanding pursuant to the provisions of Section 301(A) of the Indenture. In the event that the unpaid principal amount of the Bonds shall be accelerated during an Event of Default, the balance in the Project Fund (in excess of any amount required to be transferred to the Rebate Fund pursuant to Section 407 of the Indenture and the Tax Documents) will be transferred from the Project Fund to the Bond Fund as soon as possible and will be used to pay the principal of, premium, if any, on and interest on the Bonds.

The Trustee shall maintain adequate records pertaining to the Project Fund and all disbursements therefrom, and shall, upon request of the Issuer or the Institution and within sixty (60) days after the Completion Date, file an accounting thereof with the Issuer, the Banks (if any) and the Institution.

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, 404 and 410 of the Indenture, there shall be deposited into the Bond Fund (a) all Loan Payments received from the Institution under the Loan Agreement (except payments made with respect to the Unassigned

Rights, which shall be paid to the Issuer), (b) any amounts received under the Initial Master Note, (c) any amount in the Insurance and Condemnation Fund directed to be paid into the Bond Fund under Section 406 of the Indenture, (d) any amounts received from the Institution pursuant to Section 3.6 of the Loan Agreement, (e) all prepayments by the Institution in accordance with Section 5.3 of the Loan Agreement in connection with which notice has been given to the Trustee pursuant to Section 302 of the Indenture, (f) any amounts received by the Trustee under the Credit Facility (if any), (g) moneys remaining under Section 305 of the Indenture, and (h) all other moneys received by the Trustee under and pursuant to the Indenture or the other Financing Documents which by the terms hereof or thereof are to be deposited into the Bond Fund, or are accompanied by directions from the Institution or the Issuer that such moneys are to be paid into the Bond Fund.

The Trustee shall deposit into the following specified accounts of the Bond Fund the following amounts:

(1) into the Credit Facility Account for each Series of Bonds, all moneys drawn by the Trustee under the Credit Facility (if any), which account shall hold no other moneys;

(2) into the Remarketing Proceeds Account for each Series of Bonds, all amounts representing the proceeds from a remarketing of the Bonds, which account shall hold no other moneys;

(3) into the Redemption Premium Account for each Series of Bonds, all amounts deposited to pay premiums on the Bonds, which account shall hold no other moneys; and

(4) into the Defeasance Account for each Series of Bonds, all amounts deposited to pay and discharge the respective Series of Bonds pursuant to Section 1001 of the Indenture, which account shall hold no other moneys; and

(5) into the General Account for each Series of Bonds, all other amounts deposited into the Bond Fund that are not required be deposited into the Credit Facility Account, the Remarketing Proceeds Account, the Redemption Premium Account or the Defeasance Account.

Neither the Issuer, the Institution, any Guarantor, any Affiliate of the Institution nor any Guarantor or any Insider of any of them shall have any title or other interest (beneficial or otherwise) in, nor any right whatsoever to take or control (other than the right of the Institution to direct investments pursuant to Section 410 of the Indenture), any of the moneys, investments or earnings in the Credit Facility Account, the Credit Facility (if any), the Redemption Premium Account, the Remarketing Proceeds Account, the Defeasance Account or any subaccounts of any of the foregoing accounts, or the moneys and Authorized Investments therein, including any proceeds thereof, all of which shall be held in trust by the Trustee for the sole benefit of the Bondholders until all Debt Service Payments on the Bonds are paid and thereafter for the benefit of the Credit Facility Issuer (if any); provided, however, that any amounts which were deposited in the Redemption Premium Account of the Bond Fund for the purpose of causing such amounts

to constitute Available Moneys and which remain after all of the Outstanding Bonds shall be deemed paid and discharged under the Indenture, shall be retained by the Trustee and shall not be paid to or for the benefit of the Institution, any Guarantor, any Affiliate of the Institution or any Guarantor or any Insider of any of them, which shall have no right to take or control such amounts. If the Bonds are then rated by a Rating Agency or Rating Agencies, no moneys in the Redemption Premium Account or Defeasance Account may be used to pay Debt Service Payments on the Bonds until the Institution delivers to such Rating Agency or Rating Agencies an opinion of nationally recognized counsel experienced in bankruptcy matters to the effect that payments on the Bonds from such moneys will not constitute voidable preferences under the U.S. Bankruptcy Code in the event a petition in bankruptcy is subsequently filed by or against the Institution or the Issuer. The Trustee will establish separate accounts within the Redemption Premium Account and the Defeasance Account for each deposit (including any investment income thereon) made into the Bond Fund so that the Trustee may at all times ascertain the date and source of deposit of the funds in such accounts and the Trustee will assure moneys having different dates of deposit and held in separate accounts shall not be commingled.

Moneys on deposit in the Bond Fund will be disbursed and applied by the Trustee to pay the Debt Service Payments on the Bonds as said Debt Service Payments become due and payable on the Bonds in accordance with the provisions of the Bonds and the Indenture. Except as otherwise provided in Section 609(A)(1) of the Indenture, moneys in the Bond Fund shall be used solely for the payment of the principal or redemption price of the Bonds and interest on the Bonds from the following source or sources, but only in the following order of priority:

(1) Available Moneys held in the Credit Facility Account, provided that in no event shall moneys held in the Credit Facility Account be used to pay any amount which may be due on Bonds held pursuant to Section 308 of the Indenture;

(2) Available Moneys held on deposit in the Redemption Premium Account;

(3) any other Available Moneys in the Bond Fund; and

(4) any other amounts available in the Bond Fund.

To the extent moneys described under Section 405(C)(1) of the Indenture are not available in the Bond Fund to pay principal or redemption price of the Bonds and interest on the Bonds on any Maturity Date, Interest Payment Date, Redemption Date or Purchase Date (other than Bonds held pursuant to Section 308 of the Indenture, except for interest payments on Bonds that were not held pursuant to Section 308 of the Indenture on the Record Date for such payment), the Trustee will, on or before 11:00 a.m. (New York time) on the Business Day prior to such due date, or 11:00 a.m. (New York time) on such Purchase Date, draw upon or demand payment under the Credit Facility (if any) then held by the Trustee in a manner so as to provide immediately available funds by the close of business on such date in an amount necessary to make the required payments of the principal of and premium, if applicable and if payable from a draw on the Credit Facility (if any) and interest on the Bonds on such Maturity Date, Interest Payment Date, Redemption Date or to purchase the Bonds tendered or deemed tendered on such Purchase Date. Upon receipt of such moneys from the Credit Facility Issuer (if any), the Trustee shall (1)(a) deposit the amount representing a drawing on the Credit Facility (if any) for the

payment of principal of and interest on that Series of Bonds in the Credit Facility Account of the Bond Fund, and apply the same to the payment of such principal and interest due on that Series of Bonds or (b) use the proceeds of the draw to pay the purchase price of that Series of Bonds in accordance with Section 309 of the Indenture, and (2) pay, on behalf of the Institution, but only from and to the extent of any amounts described in Section 405(C)(3) of the Indenture and Section 405(C)(4) of the Indenture then on deposit in the Bond Fund, any and all amounts then due and payable under the Reimbursement Agreement. Any payment made by the Trustee on behalf of the Institution described in clause (2) of the immediately preceding sentence will be made by wire transfer of immediately available funds to the account of the Credit Facility Issuer (if any) on the date the Trustee receives moneys pursuant to a drawing upon the Credit Facility (if any).

Moneys on deposit in the Bond Fund may be invested in Authorized Investments in accordance with Section 410 of the Indenture. All interest and other income accrued and earned on moneys on deposit in the Bond Fund shall be deposited by the Trustee into the Bond Fund. Moneys on deposit in the Bond Fund will be applied by the Trustee to pay the principal of, including Sinking Fund Payments, 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 411 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 Documents.

The Issuer acknowledges in the Indenture that it has no interest in the Credit Facility Account, and any moneys and Authorized Investments therein, all of which will be held in trust by the Trustee for the sole benefit of the Holders of the Bonds, and that the Issuer has no interest in the Bond Fund and any moneys and Authorized Investments therein, all of which shall be held in trust by the Trustee for the benefit of the Holders of the Bonds and, to the extent that (1) any Debt Service Payments are made by a Credit Facility Issuer (if any), (2) the Holders of the Bonds are paid through draws under a Credit Facility (if any) or (3) the Institution has any obligation to the Credit Facility Issuer (if any), the Credit Facility Issuer (if any).

The Insurance and Condemnation Fund *(Section 406)*

The Net Proceeds resulting from any insurance settlement or Condemnation award received by the Trustee in connection with damage to or destruction of or the taking of part or all of the Project Facility, together with any other amounts so required to be deposited therein under the Loan Agreement, shall be deposited into the Insurance and Condemnation Fund.

If, pursuant to the Loan Agreement, following damage to or Condemnation of all or a portion of the Project Facility, (1) the Institution exercises its option not to repair, rebuild or restore the Project Facility and to provide for the redemption of the Bonds, or (2) if a taking in Condemnation as described in the Loan Agreement occurs, or (3) the Banks (if any) or any Credit Facility Issuer exercises its option, if any, to apply the Net Proceeds of any insurance or Condemnation award to the redemption of the Bonds, the Trustee shall (after any transfer to the Rebate Fund required pursuant to the Indenture and the Tax Documents is made) transfer all moneys held in the Insurance and Condemnation Fund to the Bond Fund to be applied to the

redemption of the Bonds then Outstanding pursuant to Section 301(A) of the Indenture, except as provided in Section 411 of the Indenture.

If, following damage to or Condemnation of all or a portion of the Project Facility, the Institution elects to repair, rebuild or restore the Project Facility, and provided no Event of Default under the Indenture or under any other Financing Document has occurred and is continuing, moneys held in the Insurance and Condemnation Fund and attributable to the damage to or the destruction or taking of the Project Facility (after any transfer to the Rebate Fund required by the Indenture and the Tax Documents is made) will be applied to pay the costs of such repairs, rebuilding or restoration in accordance with the Indenture.

Upon satisfaction of the conditions set forth in the Indenture, the Trustee is authorized to and shall make such disbursements, at the Institution's request, either upon the completion of such repairs, rebuilding or restoration or periodically as such repairs, rebuilding or restoration progress, upon receipt by the Trustee of a certificate of an Authorized Representative of the Institution, approved in writing by the Banks (if any) and the Credit Facility Issuer (if any), stating, with respect to each payment to be made: (1) the amount or amounts to be paid, the Person or Persons (which may include the Institution for reimbursement of such costs) to whom an amount is to be paid and the total sum of all such amounts; (2) that the Institution has expended, or is expending, concurrently with the delivery of such certificate, such amount or amounts on account of costs incurred in connection with the repair, rebuilding or restoration of the Project Facility; (3) that all contractors, workmen and suppliers have been or will be paid through the date of such certificate from the funds to be disbursed; (4) that there exists no Event of Default hereunder or under any other Financing Document and no condition, event or act which, with notice or the lapse of time or both, would constitute an Event of Default hereunder or under any other Financing Document; (5) that such Authorized Representative of the Institution has no knowledge, after diligent inquiry and after searching the records of the appropriate state and local filing offices, of any vendor's Lien, mechanic's Lien or security interest which should be satisfied, discharged or bonded before the payment as requisitioned is made or which will not be discharged by such payment; (6) that no certificate with respect to such expenditures has previously been delivered to the Trustee; and (7) that there remain sufficient moneys in the Insurance and Condemnation Fund attributable to the damage to, destruction of, or taking of the Project Facility to complete the repair, rebuilding or restoration of the Project Facility. Each such requisition shall be accompanied by bills, invoices or other evidences reasonably satisfactory to the Trustee, the Banks (if any) and the Credit Facility Issuer (if any). The Trustee shall be entitled to conclusively rely on such requisition and shall have no duty, express or implied, to make any inspections or investigations with respect thereto.

Upon completion of the repair, rebuilding or restoration of the Project Facility, an Authorized Representative of the Institution will deliver to the Issuer, the Trustee, the Banks (if any) and the Credit Facility Issuer (if any), a certificate stating (1) the date of such completion, (2) that all labor, services, materials and supplies used therefor and all costs and expenses in connection therewith have been paid, (3) that the Project Facility has been restored to substantially its condition immediately prior to the damage or Condemnation thereof, or to a condition of at least equivalent value, operating efficiency and function, (4) that the Issuer or the Institution has good and valid title to all Property constituting part of the restored Project Facility, and that the Project Facility is subject to the Loan Agreement and the Liens and security

interests of this Indenture and the other applicable Financing Documents, (5) the applicable Rebate Amount, if any, with respect to the Net Proceeds of the insurance settlement or Condemnation award and the earnings therefrom (with a statement as to the determination of the Rebate Amount and a direction to the Trustee with respect to any required transfer to the Rebate Fund), and (6) that the restored Project Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate may state (a) that it is given without prejudice to any rights of the Institution against third parties which exist at the date of such certificate or which may subsequently come into being, (b) that it is given only for the purposes of the Indenture, and (c) that no Person other than the Issuer, the Banks (if any), the Credit Facility Issuer (if any), or the Trustee may benefit therefrom. Such certificate shall be accompanied by a certificate of occupancy, if required, and any and all permissions, licenses or consents required of Governmental Authorities for the occupancy, operation and use of the Project Facility for its intended purposes.

All earnings on amounts held in the Insurance and Condemnation Fund will be retained by the Trustee in the Insurance and Condemnation Fund.

If the cost of the repairs, rebuilding or restoration of the Project Facility effected by the Institution shall be less than the amount in the Insurance and Condemnation Fund, then on the completion of such repairs, rebuilding or restoration, the Trustee will transfer such difference to the Bond Fund and use such amounts so transferred to provide for the redemption of the Bonds in accordance with Section 301(A) of the Indenture; provided that, notwithstanding anything in the Indenture to the contrary, such amounts may be transferred to the Institution for its purposes if (1) the Institution so requests, (2) the Institution obtains the prior written consent of the Banks (if any) and the Credit Facility Issuer (if any) thereto, and (3) the Institution furnishes to the Trustee an opinion of Bond Counsel to the effect that payment of such moneys to the Institution will not, in and of itself, adversely affect the exclusion of the interest paid or payable on the Tax-Exempt Bonds from gross income for federal income tax purposes.

If the cost of the repair, rebuilding or restoration of the Project Facility shall be in excess of the moneys held in the Insurance and Condemnation Fund, the Institution will deposit such additional moneys in the Insurance and Condemnation Fund as are necessary to pay the cost of completing such repair, rebuilding or restoration. Prior to making any disbursement pursuant to Section 406(D) of the Indenture, the Trustee shall receive a certificate from the Institution certifying as to the cost of repair, rebuilding or restoration of the Project Facility and the proposed sources of repayment thereof.

The Rebate Fund *(Section 407)*

The Trustee shall make information regarding the Bonds and investments under the Indenture available to the Institution. If a deposit to the Rebate Fund is required as a result of the computations made or caused to be made by the Institution, the Trustee shall upon receipt of written direction from the Institution accept such payment for the benefit of the Institution. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee shall upon written direction from the Authorized Representative of the Institution transfer such amount to the Institution. Records of the determinations required by Section 407 of the Indenture and the instructions must be retained by the Trustee until six years

after the Tax-Exempt Bonds are no longer outstanding. Any provision of the Indenture to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien under the Indenture.

The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Representative of the Institution, shall deposit in the Rebate Fund Principal Account, within thirty (30) days after the end of each Bond Year commencing with the first Bond Year, an amount such that the amount held in the Rebate Fund Principal Account after such deposit is equal to the Rebate Amount calculated as of the last day of the prior 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 or restoration of the Project Facility pursuant to the Indenture at any time during a Bond Year, the Trustee will deposit in the Rebate Fund Principal Account upon receipt of such certification an amount such that the amount held in the Rebate Fund Principal Account 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 Institution or from other moneys made available by the Institution.

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 Principal Account exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Issuer or the Institution, shall withdraw such excess amount and transfer such excess amount to the Institution.

The Trustee, upon the receipt of written instructions satisfactory to the Trustee from an Authorized Representative of the Institution, shall pay to the United States, from amounts on deposit in the Rebate Fund or from other moneys supplied by the Institution, (1) not less frequently than once every five (5) years after the date of original issuance of a Series of Tax-Exempt Bonds (or such other date as the Institution may choose, provided the Institution 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 plus all amounts then held in the Rebate Fund Earnings Account, and (2) not later than thirty (30) days after the date on which all Bonds of any particular Series have been paid in full, one hundred percent (100%) of the Rebate Amount with respect to such Bonds as of the date of such payment plus all amounts relating thereto then held in the Rebate Fund Earnings Account.

The foregoing described provisions of the Indenture may be amended, without notice to or consent of the Bondholders, at the request of the Issuer or the Institution, to comply with the applicable regulations of the Treasury Department, upon the delivery by the Issuer or the Institution 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.

Credit Facility *(Section 408)*

The Institution will, upon Conversion to the Daily Rate Mode, the Weekly Rate Mode, the Semi-Annual Rate Mode or the Long Term Rate Mode, provide a Credit Facility to the Trustee. The Credit Facility shall provide for direct payments to or upon the order of the Trustee as set forth in the Indenture and shall be the irrevocable obligation of the Credit Facility Issuer to pay to or upon the order of the Trustee, upon request and in accordance with the terms thereof, up to (a) an amount equal to the principal amount of the Bonds (i) to pay the principal of the Bonds when due whether at stated maturity, upon redemption or acceleration or (ii) to enable the Tender Agent to pay the Purchase Price or portion of the Purchase Price equal to the principal amount of Bonds purchased pursuant to the Indenture to the extent remarketing proceeds are not available for such purpose, plus (b) an amount equal to up to fifty (50) days (as required by the Remarketing Agent) interest accrued on the Bonds if the Bonds will bear interest at a Daily Rate or Weekly Rate after the Conversion, or up to two hundred ten (210) days (as required by the Remarketing Agent) interest accrued on the Bonds if the Bonds will bear interest at a Semi-Annual Rate or Long-Term Rate after the Conversion, at the maximum rate per annum specified in such Credit Facility (i) to pay interest on the Bonds when due or (ii) to enable the Tender Agent to pay the portion of the Purchase Price of the Bonds purchased pursuant to Section 304 of the Indenture equal to the interest accrued, if any, on such Bonds to the extent remarketing proceeds are not available for such purpose.

The Credit Facility shall not expire prior to the first par redemption date plus 15 days (or the first redemption date plus 15 days if the Credit Facility covers redemption premium).

On or before the date of delivery of the Credit Facility to the Trustee, the Institution shall provide the Trustee with (a) an opinion of Counsel stating that the delivery of such Credit Facility to the Trustee is authorized under the Indenture and complies with its terms, (b) an opinion of counsel to the issuer or provider of such Credit Facility stating that such Credit Facility is a legal, valid and binding obligation of such issuer or obligor that is enforceable against such issuer or provider in accordance with its terms, and (c) an opinion of Bond Counsel that the delivery of such Credit Facility shall not adversely affect the exclusion of interest on the Tax-Exempt Bonds for federal income tax purposes.

The Credit Facility will provide that if, in accordance with the terms of the Indenture, the Bonds shall become immediately due and payable pursuant to any provision of the Indenture, the Trustee shall be entitled to draw on the Credit Facility to the extent of the aggregate principal amount of the Bonds then Outstanding plus, to the extent available under the Credit Facility (if any), an amount sufficient to pay interest on all Outstanding Bonds, less amounts for which the Credit Facility shall not have been reinstated.

If at any time there shall cease to be any Bonds Outstanding under the Indenture, or if the Interest Rate Mode on all of the Bonds Outstanding under the Indenture is converted to the Bank Purchase Variable Rate Mode, the Bank Purchase Fixed Rate Mode or the Fixed Rate Mode, the Trustee will surrender the current Credit Facility to the Credit Facility Issuer for cancellation. The Trustee will comply with the procedures set forth in the Credit Facility relating to the termination thereof.

When a Credit Facility is in effect with respect to the Bonds, the Institution may, at its option, provide for the delivery to the Trustee of an Alternate Credit Facility which, if the Interest Rate Mode is the Long-Term Rate, will be a Qualified Alternate Credit Facility. Such Alternate Credit Facility will have a term of not less than one year and set forth a maximum interest rate on the Bonds with respect to which drawings may be made. The Institution will give the Trustee an irrevocable written notice of its intention to replace the then current Credit Facility with an Alternate Credit Facility at least thirty-five (35) days before the date of delivery of such Alternate Credit Facility stated in such notice. The date of delivery of the Alternate Credit Facility must be an Interest Payment Date that precedes by at least fifteen (15) days the stated expiration date of the then current Credit Facility. On or before the date of delivery of an Alternate Credit Facility to the Trustee, the Institution will provide the Trustee with (a) an opinion of Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under the Indenture and complies with its terms, (b) an opinion of counsel to the issuer or provider of such Alternate Credit Facility stating that such Credit Facility is a legal, valid and binding obligation of such issuer or obligor that is enforceable against such issuer or provider in accordance with its terms, (c) an opinion of Bond Counsel that the delivery of such Alternate Credit Facility shall not adversely affect the exclusion of interest on the Tax-Exempt Bonds issued under the Indenture for federal income tax purposes and (d) if the stated amount of the Alternate Credit Facility is increased over that of the Credit Facility being replaced, an opinion of Counsel stating that payments of principal and interest on the Bonds from funds drawn on such Credit Facility will not constitute avoidable preferences with respect to the subsequent bankruptcy of the Issuer or the Institution under the Bankruptcy Code.

The Trustee will then accept such Alternate Credit Facility and surrender the previously held Credit Facility (if any), to the previous Credit Facility Issuer for cancellation promptly on or after the 5th Business Day after the Alternate Credit Facility becomes effective, but not earlier than the 5th Business Day following the last Interest Payment Date covered by the Credit Facility to be cancelled. If the Trustee is required hereunder to draw upon a Credit Facility in connection with a purchase of Bonds, or to pay Debt Service Payments on Bonds, on the date of delivery of an Alternate Credit Facility, the Trustee will draw upon the then current Credit Facility, not the Alternate Credit Facility which has been delivered. Each Alternate Credit Facility shall have a term of not less than one (1) year.

Unless all of the conditions of Section 408(C) of the Indenture have been satisfied, and the expiring Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility) has been replaced with an Alternate Credit Facility, which if the Interest Rate Mode is the Long-Term Rate Mode, will be a Qualifying Alternate Credit Facility, and if the Interest Rate Mode is the Daily Rate Mode, the Weekly Rate Mode or the Semi-Annual Rate Mode, will be issued by the then current Credit Facility Issuer (if any) or will be a Qualifying Alternate Credit Facility, at least 30 days before the Interest Payment Date immediately preceding (by at least 15 calendar days) the expiration date of the Credit Facility or the Interest Payment Date on which the Alternate Credit Facility is delivered to the Trustee, the Trustee will call the Bonds for purchase pursuant to Section 304(B) and Section 408(E) of the Indenture. In any event, the Trustee will not give notice of purchase of the Bonds on account of a failure to provide a Qualifying Alternate Credit Facility until the time specified in the preceding sentence for delivery of such Qualifying Alternate Credit Facility.

The Trustee will notify the Bondholders of the expiration of the term of the Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility) which will subject the Bonds to mandatory purchase in accordance with the Indenture by first class mail delivered to each Bondholder's registered address at least 30 days but not more than 60 days before any Purchase Date resulting from such expiration. The notice will state (a) that the Credit Facility is expiring according to its terms, or will expire upon delivery of an Alternate Credit Facility, and (b) the Purchase Date for the Bonds. The Trustee will notify Bondholders of the replacement of the Credit Facility with any Alternate Credit Facility by first class mail delivered to each Bondholder's registered address at least 30 days but not more than 60 days prior to the effective date of such replacement.

Non-Presentment of Bonds *(Section 409)*

Subject to the provisions of the Indenture, in the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, if moneys (or, if the Bonds are then secured by the Credit Facility, Available Moneys) sufficient to pay such Bond shall have been deposited with the Trustee for the benefit of the Holder thereof, such Bond shall be deemed cancelled, redeemed or retired on such date even if not presented on such date, and all liability of the Issuer to the Holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged; and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Holder of such Bond who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or with respect to such Bond or interest.

Subject to any law to the contrary, if any Bond is not presented for payment or any interest payment shall not be claimed prior to the earlier of (1) two years following the date when such Bond becomes due, either at maturity or at the date fixed for redemption or otherwise, or (2) the Business Day prior to the date on which such moneys would escheat to the State, such amounts will be paid by the Trustee first to the Credit Facility Issuer (if any), to the extent any amounts remain unpaid by the Institution under the Reimbursement Agreement or under any other Financing Document, with any balance to be paid to the Institution. Thereafter, (a) the Owner of such Bond will be entitled to look only to the Institution for payment of such Bond or interest, and then only to the extent of the amount so repaid to the Institution, who will not be liable for any interest thereon and will not be regarded as a trustee of such money, (b) all liability of the Trustee with respect to such moneys will terminate, and (c) such Bond will, subject to the defense of any applicable statute of limitations, thereafter be an unsecured obligation of the Institution. The Trustee will, at least sixty (60) days prior to the expiration of the above described period, give notice to any Owner who has not presented any Bond for payment that any moneys held for the payment of any such Bond will be returned as provided in Section 409 of the Indenture at the expiration of such period. The failure of the Trustee to give any such notice will not affect the validity of any transfer of funds pursuant to Section 409 of the Indenture.

Final Disposition of Moneys *(Section 411)*

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, the Trustee, the Institution and the Banks (if any), the Credit Facility Issuer (if any) and any Paying Agents or Authenticating Agents 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 hereunder and under the Tax Documents or any provision of the Code, all amounts remaining in any fund established under this Indenture shall be transferred to the Institution (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); provided, however, that, in the event that the Bonds are retired, redeemed or otherwise paid, in whole or in part, from amounts drawn on the Credit Facility (if any) and the Credit Facility Issuer (if any), remains unreimbursed for such amounts, such remaining amounts shall be transferred to the Credit Facility Issuer (if any), to be applied against the obligation of the Institution to repay the Credit Facility Issuer (if any), for amounts paid under the Credit Facility (if any) or any other Financing Document, and any amounts in excess thereof shall be paid to the Institution; provided, however, that notwithstanding any provision to the contrary in this Indenture or elsewhere, any moneys in the Credit Facility Account, the Defeasance Account, the Remarketing Proceeds Account or the Redemption Premium Account may not be paid to the Institution; and provided, further, that any amounts which were deposited in the Redemption Premium Account of the Bond Fund for the purpose of causing such amounts to constitute Available Moneys and which remain after all of the Outstanding Bonds shall be deemed paid and discharged under the Indenture, will be retained by the Trustee and will not be paid to or for the benefit of the Institution, who will have no right to take or control such amounts.

No Modification of Security; Limitation on Liens *(Section 508)*

The Issuer covenants that it will not, without the written consent of the Trustee, the Banks (if any) and, if the Initial Bonds are then supported by a Credit Facility, the Credit Facility Issuer, 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 relates to or affects the security for the Bonds, except as contemplated hereby or in the Master Trust 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 Against Arbitrage Bonds (*Section 513*)

So long as any Tax-Exempt Bonds shall be Outstanding, the Issuer covenants that it will not use or direct or permit the use of the proceeds of the Tax-Exempt Bonds or any other moneys in its control (including, without limitation, the proceeds of any insurance settlement or Condemnation award with respect to the Project Facility) in such manner as would cause any of the Tax-Exempt Bonds to be an "arbitrage bond" within the meaning of such quoted term in

Section 148 of the Code. 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 hereunder and from the Institution's funds to the United States as the Institution, in accordance with the Indenture and the Tax Documents, shall direct.

Events of Default and Remedies on Default *(Section 601)*

The following are "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) Payment of the principal or Redemption Price of any Bond is not made when it becomes due and payable at maturity or upon call for redemption; or

(B) Payment of any interest on any Bond is not made when it becomes due and payable; or

(C) If no Credit Facility is then held by the Trustee, failure by the Issuer to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Indenture, other than any such failure which results in an Event of Default under Section 601(A), Section 601(B) or Section 601(F) of the Indenture, for a period of 30 days after written notice of such failure requesting such failure to be remedied, given to the Issuer and the Institution by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Bondholders of not less than 25 percent in aggregate principal amount of Bonds then outstanding; or

(D) If the Trustee receives notice from any Bank, if the Bank is the registered owner of the Bonds, that an Event of Default under the Bondholder Agreement to which such Bank is a party has occurred and is continuing and the Trustee is to accelerate the maturity of the Bonds; or

(E) The Trustee receives notice from the Credit Facility Issuer of a Credit Facility then held by the Trustee, if any, that an Event of Default under the Reimbursement Agreement has occurred and is continuing and the Trustee is to accelerate the maturity of the Bonds; or

(F) If payment of the Purchase Price of any Bond required to be purchased pursuant to Section 304 of the Indenture is not made when such payment has become due and payable; or

(G) If a Credit Facility is then held by the Trustee, the Credit Facility Issuer fails to honor any proper drawing under such Credit Facility; or

(H) If a Credit Facility is then held by the Trustee, a decree or order of a court or agency or supervisory authority, having jurisdiction in the premises for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding, or for the winding-up or liquidation of its affairs, has

been entered against the Credit Facility Issuer or the Credit Facility Issuer has consented to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Credit Facility Issuer or of or relating to all or substantially all of its property and the lapse of 60 days during which an Alternate Credit Facility complying with the terms hereof has not been delivered to the Trustee; or

(I) The occurrence and continuance of an Event of Default under the Loan Agreement or any other Financing Document.

Acceleration *(Section 602)*

If an Event of Default under Section 601(E) or Section 601(H) of the Indenture occurs, the Trustee will immediately declare the principal of all Bonds then Outstanding immediately due and payable; and upon such declaration the said principal, together with interest accrued thereon to the date of acceleration (as determined in accordance with the Indenture), shall become immediately due and payable at the place of payment provided in such declaration without notice, declaration, or demand, anything in this Indenture or in the Bonds to the contrary notwithstanding.

If any Event of Default under Section 601(D) of the Indenture occurs, then either (a) at the direction of any Bank, the Trustee will immediately declare the principal of all Bonds then Outstanding immediately due and payable; and upon such declaration the said principal, together with interest accrued thereon to the date of acceleration, will become immediately due and payable at the place of payment provided in such declaration without notice, declaration, or demand, anything in this Indenture or in the Bonds to the contrary notwithstanding, and thereafter the entire unpaid principal amount of the Bonds (and, to the extent permitted by applicable law, all accrued but unpaid interest) will bear interest at the Default Interest Rate, or (b) any Bank may exercise its option to demand the purchase of the Bonds pursuant to Section 304(A)(5) of the Indenture.

If any other Event of Default occurs and is continuing, the Trustee may, and upon request of the Holders of fifty percent (50%) in aggregate principal amount of all Bonds then Outstanding will, by notice in writing to the Institution, with copies of such notice being sent to the Issuer, the Banks (if any) and the Credit Facility Issuer (if any), declare the principal of all Bonds then Outstanding to be immediately due and payable; and upon such declaration the said principal, together with interest accrued thereon to the date of payment (as determined in accordance with the Indenture), will bear interest at the Default Interest Rate and will become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Bonds to the contrary notwithstanding.

Upon the occurrence of any declaration by the Trustee under Section 602 of the Indenture, the principal of the Bonds then Outstanding and the interest accrued thereon will thereupon become and be immediately due and payable, and interest will cease to accrue thereon. Upon the occurrence of any acceleration under Section 602 of the Indenture, the Trustee will immediately (1) exercise such rights as it may have under (a) this Indenture to declare all payments hereunder and under the Bonds to be due and payable immediately and (b) under the

Loan Agreement to declare all payments thereunder to be due and payable immediately, and (2) to the extent it has not already done so, will immediately draw upon the Credit Facility (if any), to the extent permitted by the terms thereof.

Immediately after any acceleration under the Indenture, the Trustee, to the extent it has not already done so, will notify in writing the Issuer, the Institution, the Credit Facility Issuer (if any), the Tender Agent and the Remarketing Agent of the occurrence of such acceleration. Within 5 days of the occurrence of any acceleration hereunder, the Trustee will notify by first class mail, postage prepaid, the Owners of all Bonds Outstanding of the occurrence of such acceleration.

If, after the principal of the Bonds has become due and payable, all arrears of interest upon the Bonds are paid by the Institution, and the Institution also performs all other things in respect to which it may have been in default hereunder and pays the reasonable charges of the Trustee and the Bondholders, including reasonable attorneys' fees, then, and in every such case, the Owners of a majority in principal amount of the Bonds then Outstanding, by notice to the Institution and to the Trustee, may annul such acceleration and its consequences, and such annulment shall be binding upon the Trustee and upon all Owners of Bonds issued hereunder; provided, however, that the Trustee shall not annul any declaration resulting from (1) an Event of Default specified in Section 601(E) hereof without the prior written consent of the Credit Facility Issuer, (2) an Event of Default specified in Section 601(D) without the prior written consent of the Bank or (3) any Event of Default which has resulted in a drawing under a Credit Facility, unless the Trustee has received written confirmation from the Credit Facility Issuer that such Credit Facility has been reinstated to an amount equal to the amount thereof prior to such drawing. No such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. The Trustee shall forward a copy of any notice from Bondholders received by it pursuant to this paragraph to the Institution and to the Credit Facility Issuer (if any). Immediately upon such annulment, the Trustee shall cancel, by notice to the Issuer, the Institution and to the Credit Facility Issuer (if any), any demand for acceleration of payments hereunder and under the Bonds made by the Trustee pursuant to this Section 602. The Trustee shall promptly give written notice of such annulment to the Issuer, the Institution, the Credit Facility Issuer (if any), the Tender Agent, the Remarketing Agent, and, if notice of the acceleration of the Bonds shall have been given to the Bondholders, shall give notice thereof to the Bondholders.

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 shall give such notices and take all actions necessary to cause payments to be made under the Credit Facility, if any, and may proceed forthwith to protect and enforce its rights under the

Credit Facility, if any, 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, the Banks (if any), the Credit Facility Issuer (if any) or the Institution 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 Institution 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.

Notwithstanding anything to the contrary in the Indenture, so long as a Credit Facility is in effect and the Credit Facility Issuer is making all required payments with respect to the Credit Facility in accordance with the terms of the Credit Facility, the Trustee may not exercise any remedies under Article VI of the Indenture and the Trustee may not, without the prior written consent of the Credit Facility Issuer, take any actions which the Trustee is required or entitled to take under such Article VI unless and until the Trustee shall have accelerated the Bonds and drawn upon the Credit Facility in accordance with the Indenture and the Credit Facility Issuer has defaulted in the performance of its obligations under the Credit Facility, in which case the Credit Facility Issuer will have no authority to exercise any further rights under the Indenture unless and until said default has been cured by the Credit Facility Issuer to the reasonable satisfaction of the Trustee.

In the event of a default by the Credit Facility Issuer, if any, in the performance of its obligations under the Credit Facility, notwithstanding the provisions of the preceding paragraph, the Credit Facility Issuer, if any, will have no authority to exercise any further rights under the Indenture, unless and until said default has been cured by the Credit Facility Issuer, if any, to the reasonable satisfaction of the Trustee.

Application of Moneys *(Section 609)*

Except as provided in the final paragraph under this caption, 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;

THIRD – to the payment to the Persons entitled thereto of the principal of, premium, if any, on, or interest on the Bonds which may thereafter become due and payable, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of interest, principal and premium, if any, due on such date to the Persons entitled thereto, without any discrimination or privilege; and

FOURTH – to the payment to the Credit Facility Issuer (if any) of all amounts due to the Credit Facility Issuer (if any) pursuant to the Reimbursement Agreement.

FIFTH – in accordance with Section 411 of the Indenture.

(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 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 cancelled if fully paid.

Any moneys received by the Trustee from the Credit Facility Issuer, if any, pursuant to the exercise of any rights granted under the Indenture or under the Credit Facility shall first be applied in accordance with Section 408 of the Indenture.

Notice of Defaults; Opportunity to Cure *(Section 614)*

Anything in the Indenture to the contrary notwithstanding, no Event of Default described in paragraph (D) or paragraph (G) under the caption "SUMMARY OF THE INDENTURE – Events of Default and Remedies on Default" will 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 twenty-five (25%) percent of the aggregate principal amount of Bonds then Outstanding to the Issuer, the Credit Facility Issuer (if any), and the Institution (with a copy to the Trustee if given by the Holders), and the Issuer, the Credit Facility Issuer (if any), and the Institution 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, the Credit Facility Issuer (if any), or the Institution within the applicable period and diligently pursued until the default is corrected.

The Trustee shall immediately notify the Issuer, the Credit Facility Issuer (if any), and the Institution of any Event of Default or Event of Taxability known to the Trustee.

Acceptance of the Trusts *(Section 701)*

The Trustee accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts upon certain terms and conditions, including but not limited to the following:

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 gross 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 upon the opinion or advice of any attorney appointed without gross negligence, 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.

The Trustee may become the Owner of Bonds secured by the Indenture with the same rights which it would have if not the Trustee.

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 or drawing under the Credit Facility (if any) on an Interest Payment Date or a Bond Payment Date), 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 gross negligence or willful misconduct by reason of any action so taken.

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 paragraph (D) or paragraph (G) under the caption "SUMMARY OF THE INDENTURE – Events of Default and Remedies on Default" above, unless the Trustee shall have actual knowledge of such Event of Default or unless the Trustee shall be specifically notified in writing of such Event of Default by the Issuer, the Credit Facility Issuer (if any), or the Institution or by the Owners of at least twenty-five percent (25%) 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.

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 Institution) by an instrument executed and signed by the Chairperson or Vice Chairperson 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 Institution) 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 the provisions of the paragraph above 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 $20,000,000 (or a combined capital and surplus in excess of $5,000,000 and the obligations of which, whether now in existence or hereafter incurred, are fully guaranteed by a corporation organized and doing business under the laws of the United States, any State or Territory thereof or of the District of Columbia, that has a combined capital and surplus of at least $50,000,000), if there be one able and willing to accept the trust on reasonable and customary terms.

Supplemental Indenture 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, in the sole judgment of the Trustee, materially adverse to the interests of the Holders of the Bonds or to the Credit Facility Issuer (if any), 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 Fitch, Moody's or Standard & Poor's;

(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 supplemental indenture in such manner as to permit the qualification of the Indenture and of such supplemental indenture under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect 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 Section 801 of the Indenture.

Supplemental Indenture Requiring Consent of the Bondholders *(Section 802)*

Except for supplemental indentures as provided in Section 801 of the Indenture, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such indenture or indentures supplemental hereto 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 Section 802 of the Indenture 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 Section 802 of the Indenture, the Trustee will, upon being satisfactorily secured and indemnified as provided in 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 will be prepared by Independent Counsel, will briefly set forth the nature of the proposed supplemental indenture and will 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 will be prescribed by the Trustee following the mailing of such notice, the Holders of not less than 51% in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such supplemental indenture will have consented to and approved the execution thereof as provided in the Indenture, no Holder of any Bond will 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. Upon the execution of any such supplemental indenture as in Section 802 of the Indenture 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 Section 802 of the Indenture.

Supplemental Indentures; Consent of Banks and Credit Facility Issuer *(Section 803)*

Notwithstanding anything to the contrary contained in the Indenture, if there is in effect a Credit Facility or an Alternate Credit Facility relating to the Bonds and there exists no wrongful dishonor of any drawing presented under the Credit Facility or Alternate Credit Facility then in effect, the Issuer and the Trustee shall in no event enter into any indenture supplemental to the Indenture under Section 801 or Section 802 of the Indenture without the prior written consent of the Credit Facility Issuer and such other assurance from the Credit Facility Issuer as counsel to the Trustee may require that the Credit Facility Issuer's obligations under the Credit Facility have not been diminished or otherwise affected by such supplemental indenture, such consent or assurance not to be unreasonably withheld. The Issuer and the Trustee shall be entitled to conclusively rely upon such certificates or opinions delivered by the Credit Facility Issuer or its counsel to such effect.

Supplemental Indentures; Consent of the Institution *(Section 804)*

Notwithstanding anything contained in the Indenture to the contrary, no supplemental indenture which affects any rights or liabilities of the Institution shall become effective unless or until the Institution 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 Institution 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 Institution within the meaning of, and for the purposes of, Section 804 of the Indenture.

Effect of Supplemental Indentures *(Section 805)*

Any supplemental indenture executed in accordance with the provisions of Article VIII of the Indenture shall thereafter form part of the terms and conditions of the Indenture for any and all purposes.

Amendment to Loan Agreement or Other Financing Documents not Requiring Consent of Bondholders *(Section 901)*

The Issuer, the Institution and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Loan Agreement or any other Financing Document (other than the Indenture) 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 Fitch, Moody's or Standard & Poor's, (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, (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, or (9) as may be requested by the Credit Facility Issuer (if any) pursuant to Section 905 of the Indenture.

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 this Indenture) has been effected in compliance with the provisions of Section 901 of the Indenture.

Amendments to Loan Agreement or other Financing Documents Requiring Consent of Bondholders *(Section 902)*

Except for the amendments, changes or modifications as provided under the caption "SUMMARY OF THE INDENTURE – Amendment to Loan Agreement or other Financing Documents not Requiring Consent of the Bondholders" above, neither the Issuer, the Institution nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement or any other Financing Document (other than the Indenture) without mailing notice thereof to, and obtaining the written approval or consent thereto of, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds at the time Outstanding given as in Section 902 of the Indenture provided.

If at any time the Issuer and the Institution shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement or any other Financing Document (other than the Indenture) not authorized as provided under the caption "SUMMARY OF THE INDENTURE – Amendment to Loan Agreement or other Financing Documents not Requiring Consent of the Bondholders" above, 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 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 Section 902 of the Indenture.

Amendments to Loan Agreement or other Financing Documents; Consent of Credit Facility Issuer *(Section 903)*

Notwithstanding anything to the contrary contained in the Indenture, if there is in effect a Credit Facility relating to the Bonds and there exists no wrongful dishonor of any drawing presented under the Credit Facility then in effect, the Issuer and the Trustee will in no event consent to any amendment, change or modification of the Loan Agreement or any other Financing Document (other than the Indenture, amendments to which are provided for in Article VIII) without the prior written consent of the Credit Facility Issuer and such other assurance from the Credit Facility Issuer as counsel to the Trustee may require that the Credit Facility Issuer's obligations under the Credit Facility have not been diminished or otherwise affected by such amendment, change or modification of the Loan Agreement, such consent or assurance not to be unreasonably withheld. The Issuer and the Trustee shall be entitled to conclusively rely upon such certificates or opinions delivered by the Credit Facility Issuer or its counsel to such effect.

Amendments to Credit Facility *(Section 904)*

The Trustee shall notify Bondholders, and each Rating Agency, if any, by which the Bonds are then rated, of a proposed amendment of the Credit Facility (if any) which would materially adversely affect the interests of the Bondholders and may consent thereto with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding which would be affected by the action proposed to be taken; provided, that the Trustee shall not, while the Interest Rate Mode is the Long-Term Rate, without the unanimous consent of the Owners of all Bonds then Outstanding, consent to any amendment which would (1) decrease the amount payable under the Credit Facility (if any) or (2) reduce the term of the Credit Facility (if any).

Amendments Requested by the Credit Facility Issuer *(Section 905)*

If there is in effect a Credit Facility relating to the Bonds and there exists no wrongful dishonor of any drawing presented under the Credit Facility then in effect, the Issuer, the Institution and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Loan Agreement or any other Financing Document (other than this Indenture) requested by the Credit Facility Issuer, but only if such amendment, change or modification is requested in writing by the Credit Facility Issuer, the Credit Facility Issuer has not failed to make any payment required to be made by it under the Credit Facility and the Trustee shall receive such assurance from the Credit Facility Issuer as counsel to the Trustee may require that the Credit Facility Issuer's obligations under the Credit Facility have not been diminished or otherwise affected by such amendment, change or modification.

Amendments to Master Notes or Master Trust Indenture not Requiring Consent of Bondholders *(Section 906)*

The Issuer, the Institution and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Master Note or the Master Trust Indenture required (1) by the provisions of any Financing Document, (2) for the

purpose of curing any ambiguity 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, (5) to obtain or maintain a rating on the Bonds from Fitch, Moody's or Standard & Poor's, (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 that is not materially adverse to the interests of the Holders of the Bonds.

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 Master Note or the Master Trust Indenture (other than this Indenture) has been effected in compliance with the provisions of Section 906 of the Indenture.

Amendments to Master Notes or Master Trust Indenture Requiring Consent of Bondholders *(Section 907)*

Except for the amendments, changes or modifications as provided in Section 905 of the Indenture, neither the Issuer, the Institution nor the Trustee shall consent to any other amendment, change or modification of the Master Note or the Master Trust Indenture (other than the Indenture) without mailing notice thereof to, and obtaining the written approval or consent thereto of, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds at the time Outstanding given as in Section 907 of the Indenture.

If at any time the Issuer and the Institution shall request the consent of the Trustee to any such proposed amendment, change or modification of the Master Note or the Master Trust Indenture not authorized by Section 906 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 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 Master Note or the Master Trust Indenture (other than this Indenture) has been effected in compliance with the provisions of Section 907 of the Indenture.

Trustee Immunities *(Section 908)*

The Trustee may, but shall not be obligated to, consent to any amendment, change or modification to the Loan Agreement or any other Financing Document (other than the Indenture) that modifies the Trustee's rights, duties or immunities hereunder, thereunder or otherwise.

Satisfication and Discharge or Assignment of Lien *(Section 1001)*

If the Issuer (1) shall pay or cause to be paid, from sources other than the proceeds of a draw under the Credit Facility (if any), 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 Bonds, the interest 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, (4) shall pay or cause to be paid the entire Rebate Amount to the United States in accordance with the Tax Documents and Section 407 of the Indenture, and (5) shall pay or cause to be paid to the Credit Facility Issuer (if any), any and all sums due under the Reimbursement Agreement or any other Financing Document, then the presents and the trust and rights granted in the Indenture 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, (b) reconvey to the Issuer the Loan Agreement and the trust conveyed by the Indenture, (c) assign and deliver to the Institution any interest in Property at the time subject to the Lien of the Indenture which may then be in its possession, except amounts held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds, and (d) deliver to the Credit Facility Issuer (if any) the Credit Facility (if any), for cancellation.

If the Trustee draws on a Credit Facility for payment of the entire principal of, premium, if any, and interest on the Bonds Outstanding in accordance with the provisions of the Indenture, then, simultaneously with the delivery to the Credit Facility Issuer of a sight draft and required accompanying documentation, the Trustee shall deliver to the Credit Facility Issuer, in escrow, an instrument or instruments in form for recording, executed by the Trustee evidencing the assignment to the Credit Facility Issuer without recourse of the Lien of the Indenture and the rights of the Trustee under the other Financing Documents, together with instructions to the Credit Facility Issuer, that such instrument or instruments be released from escrow upon confirmation from a member bank of the Federal Reserve wire system that same day funds in the amount of the Trustee's draw on the Credit Facility have been transmitted for the account of the Trustee, and the amount paid by the Credit Facility Issuer under the Credit Facility and any additional sums due the Credit Facility Issuer, pursuant to the Reimbursement Agreement shall thereafter constitute the debt secured by the Indenture.

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 Section 1001(A) of the Indenture 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 provisions in Article III of the Indenture relating to such redemption shall have been satisfied; and (2) there shall be on deposit with the Trustee in the Defeasance Account, in trust and irrevocably set aside exclusively for such payment in the Defeasance Account, (a) moneys sufficient to make such payment and any payment of the Purchase Price of Bonds pursuant to Section 304 of the Indenture; provided, that if a Credit Facility is then held by the Trustee, any

such moneys necessary for the payment of Bonds not yet due shall constitute Available Moneys and/or (b) Government Obligations maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys (without consideration of any reinvestment thereof) to make such payment and any payment of the Purchase Price of Bonds pursuant to Section 304 of the Indenture, and which are not subject to prepayment, redemption or call prior to their stated maturity; provided, that if a Credit Facility is then held by the Trustee, such Government Obligations shall have been on deposit with the Trustee in a separate and segregated account for a period of 95 days during which no Event of Bankruptcy has occurred, or shall have been purchased with Available Moneys.

No Bonds in respect of which a deposit under clause (a) or (b) of Section 1001(C)(2) of the Indenture has been made shall be deemed paid within the meaning of Article X of the Indenture unless the Trustee is satisfied that the amounts deposited are sufficient to make all payments that might become due on the Bonds; provided that notwithstanding any other provision of the Indenture, any Bonds purchased with such moneys pursuant to Section 304 of the Indenture shall be surrendered to the Trustee for cancellation and shall not be remarketed. Notwithstanding the foregoing, no delivery to the Trustee under Section 1001 of the Indenture shall be deemed a payment of any Bonds which are to be redeemed prior to their stated maturity until such Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such Bonds may be redeemed in accordance with the provisions of the Indenture and proper notice of such redemption shall have been given in accordance with Article III of the Indenture or the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give, in the manner and at the times prescribed by Article III of the Indenture, notice of redemption. Neither the obligations nor moneys deposited with the Trustee pursuant to Section 1001 of the Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal of, redemption price of and interest on the Bonds with respect to which such deposit has been made. In the event that such moneys or obligations are to be applied to the payment of principal or Redemption Price of any Bonds more than 60 days following the deposit thereof with the Trustee, the Trustee shall mail once to all Owners of Bonds for the payment of which such moneys or obligations are being held at their registered addresses a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held and shall mail copies of all such notices to each Rating Agency, if any, by which the Bonds are then rated.

The Trustee may rely upon (1) an opinion of an Accountant as to the sufficiency of the cash or such Government Obligations on deposit and (2) an opinion of counsel reasonably acceptable to the Trustee and to each Rating Agency, if any, by which the Bonds are then rated and experienced in bankruptcy matters to the effect that such moneys constitute Available Moneys.

Anything in Article VIII of the Indenture to the contrary notwithstanding, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to Article X of the Indenture for the payment of the principal or redemption price of the Bonds and the interest thereon and the principal or redemption price of such Bonds and the interest thereon shall not have in fact been actually paid in full, no amendment to the provisions of such Article shall be made without the consent of the Owner of each of the Bonds affected thereby.

Notwithstanding the foregoing, those provisions of the Indenture relating to the purchase of Bonds, 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 Institution and the Credit Facility Issuer (if any), from the Bond Fund, the rebate of moneys to the United States in accordance with Section 407 hereof, and the duties of the Trustee and the Bond Registrar in connection with all of the foregoing, shall remain in effect and be binding upon the Trustee, the Bond Registrar, the Authenticating Agents, Paying Agents and the Bondholders notwithstanding the release and discharge of the Indenture. The provisions in Article X of the Indenture shall survive the release, discharge and satisfaction of this Indenture.

No Recourse; Special Obligation *(Section 1109)*

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture, in the Bonds, in the other Financing Documents executed by the Issuer and in the other documents and instruments connected herewith or therewith, and in any documents supplemental thereto (collectively, the "Financing Documents") shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, director, officer, agent, servant or employee of the Issuer in his individual capacity, and no recourse under or upon any obligation, covenant or agreement in the Financing Documents contained or otherwise based upon or in respect of the Financing Documents, or for any claim based hereon or thereon or otherwise in respect hereof or thereof, shall be had against any past, present or future member, director, officer, agent, servant or employee, as such, of the Issuer or of any successor entity or political subdivision or any Person executing any of the Financing Documents on behalf of the Issuer, either directly or through the Issuer or any successor entity or political subdivision or any Person so executing any of the Financing Documents on behalf of the Issuer, it being expressly understood that the Financing Documents and the Bond issued thereunder are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, any such member, director, officer, agent, servant or employee of the Issuer or of any successor entity or political subdivision or any Person so executing any of the Financing Documents on behalf of the Issuer because of the creation of the indebtedness thereby authorized, or under or by reason of the obligations, covenants or agreements contained in the Financing Documents or implied therefrom; and that any and all such personal liability of, and any and all such rights and claims against, every such member, director, officer, agent, servant or employee because of the creation of the indebtedness authorized by the Financing Documents, or under or by reason of the obligations, covenants or agreements contained in the Financing Documents or implied therefrom, are, to the extent permitted by law, expressly waived and released as a condition of, and as a consideration for, the execution by the Issuer of the Financing Documents and the issuance, sale and delivery of the Bonds.

The obligations and agreements of the Issuer contained in the Indenture shall not constitute or give rise to an obligation of the State or Oneida County, New York, and neither the State nor Oneida 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 Loan Agreement and the other Financing Documents (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 Section 515 of the Indenture.

The Issuer shall be entitled to the advice of counsel (who may be counsel to any party or to any Bondholder) appointed with due care 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 hereto and the Bondholders; provided, however, that nothing herein shall be construed as conferring on any Person other than the Trustee, the Banks (if any), the Credit Facility Issuer (if any), and the Bondholders any right to notice, hearing or participation in the Issuer's consideration, and nothing in Section 1109 of the Indenture shall be construed as conferring on any of them any right additional to those conferred elsewhere herein. Subject to the foregoing, the Issuer shall not unreasonably withhold any approval or consent to be given by it under the Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

Pursuant to the Loan Agreement, the Issuer will make the Loan to the Institution of the proceeds of the Bonds for the purpose of assisting in financing the Project. 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:

(1) 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.

(2) Subject to the limitations contained in 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 Institution, 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 (a) cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Financing Documents, or (b) 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 Institution is required to rebate any amount with respect to such administrative fee, the Issuer shall provide, upon the reasonable request of the Institution, such information concerning the investment of such administrative fee as shall be requested by the Institution and as shall be reasonably available to the Issuer.

Representations and Covenants of the Institution *(Section 2.2)*

The Institution makes the following representations and covenants, among others:

(1) The Institution is a not-for-profit corporation duly organized and validly existing under the laws of the State of New York, is duly authorized to do business in the State, has the power to enter into the Loan Agreement and the other Financing Documents to which the Institution is a party and to carry out its obligations thereunder, has been duly authorized to execute the Loan Agreement and the other Financing Documents to which the Institution is a party, and is qualified to do business in all jurisdictions in which its operations or ownership of Property so require. The Loan Agreement and the other Financing Documents to which the Institution is a party, and the

transactions contemplated thereby, have been duly authorized by all necessary action on the part of the board of directors of the Institution.

(2) The Institution 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 Institution in writing should be taken), or allow any action to be taken, which action (or omission) would in any way (a) adversely affect the exclusion of the interest paid or payable on the Tax-Exempt Bonds from gross income for federal income tax purposes, or (b) cause the proceeds of the Bonds to be applied in a manner contrary to that provided in the Financing Documents.

(3) The Project Facility and the operation thereof will comply in all material respects with all Applicable Laws, and the Institution will defend and save the Issuer and its members, directors, officers, agents, servants and employees harmless from all fines and penalties due to failure to comply therewith. The Institution shall cause all notices required by all Applicable Laws to be given, and shall comply or cause compliance in all material respects with all Applicable Laws, and the Institution will defend and save the Issuer and its members, directors, officers, agents, servants and employees harmless from all fines and penalties due to failure to comply therewith.

(4) All of the proceeds of the Initial Bonds shall be used to pay the Cost of the 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 which is expected to be at least equal to $300,000,000.

(5) The Institution will comply with all of the terms, conditions and provisions of the Tax Regulatory Agreement. All of the representations, certifications, statements of reasonable expectation and covenants made by the Institution in the Tax Regulatory Agreement are hereby declared to be for the benefit of, among others, the Issuer and, by this reference, are incorporated herein by this reference as though set forth in full herein.

(6) The Institution represents that (1) the Institution is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law; (2) the Institution has received a letter or other notification from the Internal Revenue Service to that effect; (3) such letter or other notification has not been modified, limited or revoked; (4) the Institution is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification; (5) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist; and (6) it is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in a manner which will conform to the standards necessary to qualify the Institution as a charitable organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law.

Covenant with Trustee, Bondholders *(Section 2.3)*

The Issuer and the Institution 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 Institution set forth in the Loan Agreement (other than the Unassigned Rights) are declared to be for the benefit of the Issuer, the Trustee and the Holders and Beneficial Owners from time to time of the Bonds.

Acquisition, Construction and Installation of the Project Facility *(Section 3.1)*

The Institution shall promptly acquire, construct, and install the Project Facility, or cause the acquisition, construction, and installation of the Project Facility, in a good and workmanlike manner with materials of high quality, all strictly in accordance with the plans and specifications therefor.

The Institution 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 Institution will defend, indemnify and save the Issuer and the Trustee and their respective members, directors, officers, agents (other than the Institution), 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 Institution.

In compliance with Section 13 of the New York Lien Law to the extent to which that Section may be found to apply by its terms, the Institution covenants that it (1) will hold the right to receive the Bond Proceeds, which have been deposited by the Issuer in a trust fund for the purpose of paying the Cost of the Project, as a trust fund to be applied first for the purpose of paying the "cost of improvement" (as said term is defined in Section 2(5) of the New York Lien Law), and (2) will apply the same first to the payment of the "cost of improvement" before using any part of the total of the same for any other purpose. The covenant described in subsection 3.1 is not intended as a representation that the Loan Agreement or the Indenture is a "building loan contract," as defined in Section 2(13) of the New York Lien Law.

The Institution will not suffer or permit any mechanics' lien claims to be filed or otherwise asserted against the Project Facility, and will promptly discharge or cause the discharge of the same in case of the filing of any claims or lien or proceedings for the enforcement thereof or shall secure such lien by posting a bond in form and substance satisfactory to the Issuer and the Trustee, provided, however, that the Institution shall have the right to contest in good faith and with reasonable diligence the validity of any such lien or claim so long as the Institution proceeds to remove such lien from title to the Project Facility upon written notice by the Trustee or the Issuer to the Institution of the existence of such lien and, provided, further, that the Institution removes such lien from title to the Project Facility within twenty (20) days of a non-appealable judgment or decree of a court of competent jurisdiction with respect thereto. If the Institution shall fail promptly to discharge or cause to be discharged any such lien, or to post a bond as described above, the Trustee may, at its election (but shall not be required to) disburse proceeds of the Initial Bonds for the purpose of procuring the release and

discharge of any such claim and any judgment or decree thereon, and further, may in its sole discretion effect any settlement or compromise of the same.

Issuance of the Bonds; Loan of the Proceeds Thereof *(Section 3.2)*

In order to make the Loan for the purposes of financing a portion of the Cost of the Project, together with other costs and incidental expenses in connection therewith, the Issuer agrees that it will use its best efforts to (a) issue and deliver the Initial Bonds in the aggregate principal amount of $300,000,000 and (b) cause the Initial Bonds to be sold to the Underwriter as original purchaser of the Initial Bonds, all as provided in the Initial Bond Resolution and the Indenture.

Application of Proceeds of the Bonds *(Section 3.3)*

The proceeds of the sale of the Initial Bonds shall be deposited by the Issuer with the Trustee as provided in the Indenture and, upon submission to the Trustee of a Request for Disbursement certified by an Authorized Representative of the Institution and complying with the requirements of Section 402 and Section 404 of the Indenture, shall be applied to pay the following items of cost and expenses incurred on or subsequent to the Inducement Date (except to the extent that (1) the payment is made from proceeds of Taxable Bonds, or (2) the Institution obtains a letter from Bond Counsel to the effect that payments of amounts incurred prior to such date will not adversely affect the tax-exempt status of the interest paid or payable on the Tax-Exempt Bonds) in connection with the Initial Project, and for no other purpose:

(1) the cost of preparing plans and specifications as they relate to the Project Facility (including any preliminary study or planning for the Project Facility or any aspect thereof);

(2) all costs incurred in connection with the acquisition, construction and installation of the Project Facility (including architectural, engineering and supervisory services with respect thereto);

(3) all fees, taxes, charges and other expenses for recording or filing, as the case may be, the Financing Documents, any other agreement contemplated hereby, any financing statements and any title curative documents in order to perfect or protect the Issuer's, the Trustee's, the Master Trustee's or the Institution's respective interests in the Project Facility, and any security interests contemplated by the Financing Documents;

(4) all fees and expenses in connection with any actions or proceedings in order to perfect or protect the Issuer's, the Trustee's, the Master Trustee's or the Institution's respective interests in the Project Facility, except for removing Permitted Encumbrances;

(5) any expenses of the Institution in enforcing any remedy against any contractor, subcontractor or materialman in accordance with Section 3.6 of the Loan Agreement;

(6) the cost of all insurance maintained with respect to the Project Facility pursuant to Section 6.3 of the Loan Agreement during the Construction Period and the cost of maintaining any payment or performance bond (or letter of credit in substitution therefor), if any, relating to the Project Facility;

(7) all interest payable on the Bonds during the period commencing on the Closing Date and ending on the date that is the later of three years from the Closing Date or one year after the date on which the Project Facility is placed in service;

(8) all interest payable on any interim financing the Institution may have secured with respect to the Project Facility in anticipation of the issuance of the Bonds;

(9) all legal, accounting, financial advisory, investment banking, underwriting, rating agency, blue sky, legal investment and any other fees, discounts, costs and expenses incurred by the Issuer, the Institution, the Trustee or the Master Trustee in connection with the preparation, reproduction, authorization, issuance, execution, delivery and sale of the Bonds and the other Financing Documents and all other documents in connection therewith, with the acquisition, construction and/or installation of the Project Facility, and with any other transaction contemplated by the Bonds, the Indenture and the Loan Agreement;

(10) the administration, acceptance and/or commitment fees, costs and expenses (including, but not limited to, reasonable attorneys' fees) of the Issuer, the Underwriter, the Trustee and the Master Trustee;

(11) all appraisal and surveying costs;

(12) payment of the taxes and assessments for the Project Facility payable during or allocable to the Construction Period;

(13) all costs incurred in connection with the refinancing of the Barclays Revolving Loan, Bank of America Loan, the Series 2006 FSL Bonds, including, but not limited to, interest rate swap termination payments;

(14) funding any reserve fund requirements (if any) relating to the Initial Bonds; and

(15) reimbursement to the Institution for any of the above enumerated costs and expenses paid and incurred by the Institution subsequent to the Inducement Date.

Any disbursements from the Costs of Issuance Fund or the Project Fund for the payment of the Cost of the Project shall be made by the Trustee only upon compliance with Section 402 and Section 404 of the Indenture. Each such written order shall be in substantially the form of the Request for Disbursement attached to the Indenture as Schedule IV thereto and shall be consecutively numbered and accompanied by invoices or other appropriate documentation supporting the payments or reimbursements requested. Any disbursement for any item not

described in, or the cost for which item is other than as described in, the information return filed by the Issuer in connection with the issuance of any Series of Tax-Exempt Bonds as required by Section 149(e) of the Code shall be accompanied by evidence satisfactory to the Trustee that the weighted average maturity of such Series of Tax-Exempt Bonds is not greater than 120% of the average reasonably expected economic life of the facilities being financed by such Series of Tax-Exempt Bonds or, if such evidence is not presented with the disbursement or at the request of the Trustee, by an opinion of Bond Counsel to the effect that such disbursement will not result in the interest on such Series of Tax-Exempt Bonds becoming included in the gross income of the Holders thereof for federal income tax purposes.

Any moneys relating to the Initial Bonds remaining in the Project Fund after the date of completion of the Initial Project and the payment, or provision for payment, in full of the Cost of the Project, at the direction of the Authorized Representative of the Institution, promptly shall be:

(1) used to construct, install, equip and improve such additional real or personal property in connection with the Initial Project as is designated by the Authorized Representative and the construction, installation, equipment and improvement of which will be permitted under the Act, provided that any such use that is financed with proceeds of Tax-Exempt Bonds shall be accompanied by evidence satisfactory to the Trustee that the weighted average maturity of such Series of Tax-Exempt Bonds is not greater than 120% of the average reasonably expected economic life of such additional property, together with the other property theretofore acquired with the proceeds of such Series of Tax-Exempt Bonds or, if such evidence is not presented with the direction, an opinion of Bond Counsel to the effect that the acquisition of such additional property will not result in the interest on the Initial Bonds that are Tax-Exempt Bonds becoming included in the gross income of the Holders of the Initial Bond for federal income tax purposes;

(2) used for the purchase of Initial Bonds in the open market for the purpose of cancellation at prices not exceeding the full market value thereof plus accrued interest thereon to the date of payment therefor;

(3) paid into the Bond Fund to be applied to the redemption of the Initial Bonds; or

(4) used for a combination of the foregoing as is provided in that direction.

In all such cases, any payments made pursuant to the foregoing paragraph shall be made only to the extent that such use or application will not, in the opinion of Bond Counsel or under ruling of the Internal Revenue Service, result in the interest on the Initial Bonds that are Tax-Exempt Bonds becoming included in the gross income of the Holders thereof for federal income tax purposes.

Completion of the Project *(Section 3.4)*

The Institution will proceed with due diligence to commence and complete the Project.

Completion by the Institution *(Section 3.5)*

In the event that the proceeds of the Bonds are not sufficient to pay in full all costs of the Project, the Institution agrees to complete the Project and to pay all such sums as may be in excess of the moneys available therefor in the Project Fund and the Costs of Issuance Fund.

Investment of Fund Moneys *(Section 3.7)*

At the oral or written request of the Authorized Representative of the Institution, any moneys held as part of the Bond Fund (except moneys in the Credit Facility Account, Defeasance Account, Remarketing Proceeds Account, or Redemption Premium Account created under Section 401 of the Indenture), the Cost of Issuance Fund, the Project Fund or the Rebate Fund shall be invested or reinvested by the Trustee in Authorized Investments. The Issuer and the Institution each covenant that they will restrict that investment and reinvestment and the use of the proceeds of the Tax-Exempt Bonds in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of delivery of and payment for the Tax-Exempt Bonds, so that the Tax-Exempt Bonds will not constitute arbitrage bonds under Section 148 of the Code.

Rebate Fund *(Section 3.8)*

The Institution agrees to make such payments to the Trustee as are required of it under Section 407 of the Indenture and to pay the costs and expenses of the independent certified public accounting firm or firm of attorneys engaged in accordance with Section 407 of the Indenture. The obligation of the Institution to make such payments shall remain in effect and be binding upon the Institution notwithstanding the release and discharge of the Indenture.

Parity Indebtedness *(Section 4.3)*

Subject to the terms of the Master Trust Indenture, the Institution and other Members of the Obligated Group may incur additional indebtedness secured equally and ratably with respect to the lien on the Pledged Revenues (as defined in the Master Trust Indenture).

Loan Payments and other Amounts Payable *(Section 5.1)*

Upon the terms and conditions of the Loan Agreement, the Issuer will make the Loan to the Institution. In consideration of and in repayment of the Loan, the Institution shall make, as Loan Payments, payments sufficient in amount to pay when due the Debt Service Payments due and payable on the Bonds. The Institution shall pay Loan Payments as follows:

(1) On or before each Bond Payment Date, the Institution 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, due on the Bonds on such Bond Payment Date.

(2) In addition, while a Credit Facility is in effect, the Institution shall deposit all such Loan Payments directly with the Credit Facility Issuer to reimburse the Credit Facility Issuer for draws on the Credit Facility, and the Credit Facility Issuer shall apply

such amounts to the reimbursement obligation of the Institution. The obligations of the Institution to make any payment referred to in Section 5.1 of the Loan Agreement shall be deemed satisfied and discharged to the extent of the corresponding payment made by a Credit Facility Issuer to the Trustee under a Credit Facility. It is understood, however, that such payment by the Credit Facility Issuer shall not relieve the Institution of any of its obligations under the Reimbursement Agreement, including the obligation to reimburse the Credit Facility Issuer for any draw on the Credit Facility.

(3) The Institution shall be entitled to a credit against the Loan Payments next required to be made to the extent that the balance of the Bond Fund (other than any balance in the Credit Facility Account, Defeasance Account, Redemption Premium Account or Remarketing Proceeds Account) is then in excess of amounts required (a) for payment of Bonds theretofore matured or theretofore called for redemption, (b) for payment of interest for which checks or drafts have been drawn and mailed by the Trustee, and (c) for deposit in the Bond Fund for use other than for the payment of Debt Service Payments on the Interest Payment Date next following the applicable Bond Payment Date. In any event, however, if on any Interest Payment Date, the balance in the Bond Fund is insufficient to make required payments of Debt Service Payments, the Institution forthwith will pay to the Trustee, for the account of the Issuer and for deposit into the Bond Fund, any deficiency.

(4) Except for such interest of the Institution as may hereafter arise pursuant to Section 11.7 of the Loan Agreement or Section 411 of the Indenture, the Institution and the Issuer each acknowledge that neither the Institution nor the Issuer have any interest in the Credit Facility Account, if any, the Redemption Premium Account, the Remarketing Proceeds Account and the Defeasance Account of the Bond Fund and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders of the Bonds and, to the extent of draws under the Credit Facility, if any, the Credit Facility Issuer.

The Institution shall pay as additional Loan Payments under the Loan Agreement any premium when due on the Bonds and the following:

(1) (a) Within thirty (30) days after receipt of a demand therefor from the Trustee, the Bond Registrar or any Paying Agent or Authenticating Agent, the Institution shall pay to the Trustee, the Bond Registrar or any Paying Agent or Authenticating Agent, as the case may be, the following amounts: (i) the reasonable fees, costs and expenses of the Trustee, the Bond Registrar, Paying Agent or Authenticating Agent for performing the obligations of the Trustee under the Indenture and the other Financing Documents; (ii) the sum of the expenses of the Trustee, the Bond Registrar, Paying Agent or Authenticating Agent reasonably incurred in performing the obligations of (x) the Institution under the Loan Agreement, or (y) the Issuer under the Bonds, the Indenture or the Loan Agreement; and (iii) the reasonable attorneys' fees of the Trustee, the Bond Registrar, Paying Agent or Authenticating Agent incurred in connection with the foregoing and other moneys due the Trustee, the Bond Registrar, Paying Agent or Authenticating Agent pursuant to the provisions of any of the Financing Documents.

(b) The Institution shall pay the Remarketing Agent and Tender Agent, as additional Loan Payments hereunder, the fees and expenses of the Remarketing Agent and Tender Agent under the Indenture for services rendered in connection with the Bonds.

(c) The Institution shall pay to the Tender Agent in federal or other immediately available funds not later than 3:00 p.m., New York, New York time, an amount equal to the amount the Tender Agent requires in order to purchase, on behalf of the Institution, Bonds tendered pursuant to Article III of the Indenture on the date payment is to be made; provided, however, that the amount required to be paid under this paragraph shall be reduced by an amount equal to the sum of the amounts made available to the Tender Agent for such purpose from the proceeds of the remarketing of such Bonds by the Remarketing Agent or proceeds of a draw under the Credit Facility, if any. The Institution hereby authorizes the Trustee to draw such moneys under the Credit Facility, if any, as are necessary for the purchase of Bonds pursuant to said Article III.

(2) (a) On the Closing Date, the Institution shall pay to the Issuer, a lump sum payment in an amount equal to $_____, representing the Issuer's administration fee for the issuance of the Initial Bonds.

(b) Within thirty (30) days after receipt of a demand therefor from the Issuer, the Institution 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 making of the Loan, the financing and/or refinancing of the Project Facility, the issuance and delivery of any Bonds, the marketing or remarketing of any Bonds or in connection with the carrying out of the Issuer's duties and obligations under this 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 Bonds or any of the other Financing Documents, the payment of which is not otherwise provided for under this Loan Agreement.

(C) The Institution 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 Institution shall fail to make any payment required by Section 5.1 of the Loan Agreement for a period of more than ten (10) days from the date such payment is due, the Institution 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.

In the event of an application of moneys in the Project Fund toward prepayment of the principal of the Bonds pursuant to Section 404(D) of the Indenture, there shall be no abatement or reduction in the amounts payable by the Institution under Section 5.1 of the Loan Agreement.

Nature of Obligations of Institution under the Loan Agreement *(Section 5.2)*

The obligations of the Institution under the Loan Agreement will be general obligations of the Institution and will be absolute and unconditional irrespective of any defense or any rights of set-off, recoupment, counterclaim or abatement that the Institution may otherwise have against the Issuer or the Trustee. The Institution agrees that it will not suspend, discontinue or abate any payment required by, or fail to observe any of its other covenants contained in, the Loan Agreement, or terminate the Loan Agreement for any cause whatsoever.

Prepayment of Loan Payments *(Section 5.3)*

At any time that the Bonds are subject to redemption under Section 301(B) of the Indenture, the Institution 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, or the Purchase Price of Bonds being purchased in lieu of redemption, on deposit with the Trustee on or prior to (by no more than sixty (60) days) the date such moneys are to be applied to the redemption of such Bonds pursuant to Section 301 of the Indenture, plus payment of the Prepayment Penalty, if any. Pending application for those purposes, any moneys so delivered shall be held by the Trustee in a special account in the Bond Fund and delivery of those moneys shall not operate to abate or postpone Loan Payments or additional Loan Payments otherwise becoming due or to alter or suspend any other obligations of the Institution under the Loan Agreement.

Maintenance and Modification of the Project Facility *(Section 6.1)*

So long as any of the Bonds are Outstanding, and during the term of the Loan Agreement, the Institution will keep the Project Facility in accordance with (A) the requirements of the Security Documents, and (B) the purposes and requirements of the Enabling Act and the Code.

Taxes, Assessments And Utility Charges *(Section 6.2)*

The Institution will pay or cause to be paid all taxes, assessments, and utility charges associated with the Project Facility.

Insurance Required *(Section 6.3 and Section 6.4)*

The Institution is required to maintain insurance to protect the interests of the Institution, the Issuer and the Trustee.

Damage or Destruction and Condemnation *(Section 7.1 and Section 7.2)*

In the case of damage to or the destruction or Condemnation of the Project Facility, the Institution, but not the Issuer, will have an obligation to replace, repair, rebuild or restore the Project Facility, using insurance or Condemnation proceeds for this purpose to the extent available, unless the Institution elects not to replace, repair, rebuild or restore the Project Facility and to cause a redemption of the Bonds in accordance with the Indenture and the Tax Documents. If the Institution opts to provide for the redemption of the Bonds and if the Net Proceeds collected under any and all policies of insurance or of any Condemnation award are

less than the amount necessary to redeem the Bonds in full and pay any and all amounts payable under the Financing Documents to the Issuer and the Trustee, the Institution will be required to pay to the Trustee the difference between such amounts and the Net Proceeds of all insurance settlements and Condemnation awards so that all of the Bonds then Outstanding will be redeemed and any and all amounts payable under the Financing Documents to the Issuer and the Trustee will be paid in full.

Termination *(Section 8.16)*

Upon (1) payment in full of the Loan evidenced by the Bonds, (2) termination of the Pledge and Assignment, (3) payment in full of all other Indebtedness evidenced by the Loan Agreement and (4) performance by the Institution of all other obligations of the Institution to the Issuer pursuant to the provisions of the Loan Agreement, the Loan Agreement shall terminate, except as provided in Section 11.8 of the Loan Agreement.

Use of the Project Facility *(Section 8.17)*

Subsequent to the Closing Date, (A) the Institution shall not use the Project Facility, or permit the Project Facility to be used, by any Nonexempt Person or in any "unrelated trade or business", within the meaning of Section 513(a) of the Code, in such manner or to such extent as would cause the interest paid or payable on the Tax-Exempt Bonds to be includable in the gross income of the recipients thereof for federal income tax purposes or loss of the Institution's status as an exempt organization under Section 501(c)(3) of the Code, and (B) the Institution shall be entitled to use the Project Facility to provide health care services and related activities to be owned and operated by the Institution or by other Members of the Obligated Group, or as otherwise permitted herein, but not (1) as facilities used or to be used primarily for sectarian instruction or as a place of religious worship or (2) primarily in connection with any part of a program of a school or department of divinity for any religious denomination.

Assignment of the Loan Agreement *(Section 9.1)*

This Loan Agreement may not be assigned by the Institution, in whole or in part, without the prior written consent of the Issuer, the Trustee, the Banks (if any) and any Credit Facility Issuer.

Merger of the Issuer *(Section 9.2)*

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 hereunder to, any other public instrumentality or a political subdivision of the State or Oneida County, New York which has the legal authority to perform the obligations of the Issuer under the Loan Agreement, 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 hereunder or under the Loan Agreement shall be assigned.

Events of Default Defined *(Section 10.1)*

The following are "Events of Default" under the Loan Agreement, and the terms "Event of Default" or "Default" shall mean, whenever they are used in the Loan Agreement, any one or more of the following events:

(1) A default by the Institution in the due and punctual payment of the amounts specified to be paid pursuant to Section 5.1(A) of the Loan Agreement and the continuation of such default for a period in excess of five (5) days.

(2) The Institution shall fail to deliver to the Trustee, or cause to be delivered on their behalf, the moneys needed (a) to redeem any outstanding Bonds in the manner and upon the date requested in writing by the Trustee as provided in Article III of the Indenture (subject to the Institution's right to provide for conditional redemption) or (ii) to purchase any Bonds in the manner and upon the date as provided in Article III of the Indenture;

(3) A default in the performance or observance of any other of the covenants, conditions or agreements on the part of the Institution 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 Institution (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 Institution to commence to cure within such thirty (30) day period and to thereafter prosecute the same with due diligence and, in any event, to cure such default within sixty (60) days after such written notice is given.

(4) Subject to the terms of the Master Trust Indenture whose provisions shall control, the occurrence and continuance of an "Event of Default" under any of the other Financing Documents.

(5) Any representation or warranty made by the Institution in the Loan Agreement or in any other Financing Document proves to have been materially false at the time it was made.

(6) The Institution shall generally not pay its debts as such debts become due or admits its inability to pay its debts as they become due.

(7) Any sale, conveyance, lease agreement or any other change of ownership, whether occurring voluntarily or involuntarily, or by operation of law or otherwise, by the Issuer or the Institution (except pursuant to the Loan Agreement or a Permitted Encumbrance) of their respective interests in the Project Facility or any part thereof, or the granting of any easements or restrictions or the permitting of any encroachments on the Project Facility, except as permitted in the Loan Agreement or a Permitted Encumbrance.

(8) (a) The filing by the Institution (as debtor) of a voluntary petition under the Bankruptcy Code or any other federal or state bankruptcy statute; (b) the failure by the Institution within sixty (60) days to lift any execution, garnishment or attachment of such consequence as will impair the Institution's ability to carry out its obligations hereunder; (c) the commencement of a case under the Bankruptcy Code against the Institution as the debtor or commencement under any other federal or state bankruptcy statute of a case, action or proceeding against the Institution and continuation of such case, action or proceeding without dismissal for a period of sixty (60) days; (d) the entry of an order for relief by a court of competent jurisdiction under the Bankruptcy Code or any other federal or state bankruptcy statute with respect to the debts of the Institution; or (e) in connection with any insolvency or bankruptcy case, action or proceeding, appointment by final order, judgment or decree of a court of competent jurisdiction of a receiver or trustee of the whole or a substantial portion of the Property of the Institution, unless such order, judgment or decree is vacated, dismissed or dissolved within sixty (60) days of such appointment.

(9) Any provision of the Loan Agreement or any of the other Financing Documents shall at any time for any reason cease to be valid and binding on the related obligor thereunder or shall be declared to be null and void by any court or governmental authority or agency having jurisdiction over the Institution, or the validity or the enforceability thereof shall be contested by the Institution, the Issuer or the Trustee, in a judicial or administrative proceeding.

(10) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Institution under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC, or (ii) the Institution or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan.

Notwithstanding any other provision of the Loan Agreement, failure of the Institution to comply with Section 8.6(B) of the Loan Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of 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 Institution to comply with its obligations under Section 8.6(B) of the Loan Agreement.

Notwithstanding the provisions of Section 10.1(A) of the Loan Agreement, if by reason of force majeure (as hereinafter defined) either party hereto 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 subsection (C) of the Loan Agreement shall not be deemed an Event of Default under Section 10.1. Notwithstanding anything to the contrary in subsection (C), an event of force majeure shall not excuse, delay or in any way diminish the obligations of the Institution to make the payments required by Sections 3.5 and 5.1 of the Loan Agreement, to obtain and continue in full force and effect the insurance required by Article VI of the Loan Agreement, to provide the indemnity required by Sections 8.2 and 8.13 of the Loan Agreement and to comply with the provisions of Sections 2.2(G), 3.3, 3.5, 8.2, 8.4, 8.5 and 8.7(C) of the Loan Agreement. The term "force majeure" as used herein shall include acts outside of the control of the Issuer and the Institution, 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.

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 Institution, to be immediately due and payable, whereupon the same shall become immediately due and payable, (a) all unpaid Loan Payments payable pursuant to Section 5.1(A) of 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 hereunder and to enforce the obligations, agreements or covenants of the Institution 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 herein 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 hereunder and to enforce the obligations, agreements or covenants of the Institution under the Loan Agreement.

Any sums paid to the Issuer as a consequence of any action taken pursuant to Section 10.2 (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.

No action taken pursuant to Section 10.2 of the Loan Agreement shall relieve the Institution from its obligations to make all payments required by this Loan Agreement and the other Financing Documents.

No Recourse; Special Obligation *(Section 11.10)*

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Loan Agreement, in the Bonds, in the other Financing Documents executed by the Issuer and in the other documents and instruments connected with the Loan Agreement or therewith, and in any documents supplemental thereto (collectively, the "Financing Documents") shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, director, officer, agent, servant or employee of the Issuer in his individual capacity, and no recourse under or upon any obligation, covenant or agreement in the Financing Documents contained or otherwise based upon or in respect of the Financing Documents, or for any claim based hereon or thereon or otherwise in respect hereof or thereof, shall be had against any past, present or future member, director, officer, agent, servant or employee, as such, of the Issuer or of any successor entity or political subdivision or any Person executing any of the Financing Documents on behalf of the Issuer, either directly or through the Issuer or any successor entity or political subdivision or any Person so executing any of the Financing Documents on behalf of the Issuer, it being expressly understood that the Financing Documents and the Bonds issued thereunder are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, any such member, director, officer, agent, servant or employee of the Issuer or of any successor entity or political subdivision or any Person so executing any of the Financing Documents on behalf of the Issuer because of the creation of the indebtedness thereby authorized, or under or by reason of the obligations, covenants or agreements contained in the Financing Documents or implied therefrom; and that any and all such personal liability of, and any and all such rights and claims against, every such member, director, officer, agent, servant or employee because of the creation of the indebtedness authorized by the Financing Documents, or under or by reason of the obligations, covenants or agreements contained in the Financing Documents or implied therefrom, are, to the extent permitted by law, expressly waived and released as a condition of, and as a consideration for, the execution by the Issuer of the Financing Documents and the issuance, sale and delivery of the Bonds.

The obligations and agreements of the Issuer contained in the Loan Agreement and therein shall not constitute or give rise to an obligation of the State of New York or Oneida County, New York, and neither the State of New York nor Oneida County, New York shall be liable hereon or 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 Loan Agreement and the other Financing Documents (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 Institution), 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 Institution), 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 Institution), 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 Section 11.10(C) of the Loan Agreement shall not affect the full force and effect of an Event of Default hereunder.

SUMMARY OF CERTAIN PROVISIONS OF THE PLEDGE AND ASSIGNMENT

Pursuant to the Pledge and Assignment, to further secure the payment of the Bonds, the Issuer will pledge, assign, transfer and set over to the Trustee, and grant the Trustee a lien on and security interest in, all of the Issuer's right, title and interest in the Loan Agreement and the Initial Master Note and any and all moneys due or to become due and any and all other rights and remedies of the Issuer under or arising out of the Loan Agreement, except for the Unassigned Rights, and Initial Master Note.

The foregoing is a brief summary of the Pledge and Assignment and should not be considered a complete statement thereof. Reference is made to the Pledge and Assignment for complete details of the terms thereof.

APPENDIX D

FORM OF MASTER INDENTURE

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AMENDED & RESTATED
MASTER TRUST INDENTURE

Dated November 1, 2019

Between

MOHAWK VALLEY HEALTH SYSTEM

FAXTON-ST. LUKE'S HEALTHCARE

and

ST. ELIZABETH MEDICAL CENTER,

as the initial members of the obligated group

and

THE BANK OF NEW YORK MELLON

as Master Trustee

THIS INSTRUMENT AMENDS A MASTER TRUST INDENTURE DATED AS OF MARCH 1, 1998 BY AND AMONG FAXTON-ST. LUKE'S HEALTHCARE (FORMERLY KNOWN AS ST. LUKE'S-MEMORIAL HOSPITAL CENTER) AND MOHAWK VALLEY HEALTH SYSTEM (FORMERLY KNOWN AS MOHAWK VALLEY NETWORK, INC.) AND THE CHASE MANHATTAN BANK, PREDECESSOR TO THE BANK OF NEW YORK MELLON, AS TRUSTEE

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AMENDED & RESTATED
MASTER TRUST INDENTURE

THIS AMENDED & RESTATED MASTER TRUST INDENTURE dated November 1, 2019, is entered into by **MOHAWK VALLEY HEALTH SYSTEM,** a New York not-for-profit corporation ("MVHS"), **FAXTON-ST. LUKE'S HEALTHCARE,** a New York not-for-profit corporation ("FSLH"), **ST. ELIZABETH MEDICAL CENTER**, a New York not-for-profit corporation ("SEMC"), and **THE BANK OF NEW YORK MELLON**, a national banking association, as master trustee (the "Master Trustee").

Recitals

A. MVHS (formerly known as Mohawk Valley Network, Inc.) and FSLH (formerly known as St. Luke's-Memorial Hospital Center) have heretofore entered into a Master Trust Indenture dated as of March 1, 1998, as supplemented and amended (the "Original Master Indenture") with The Bank of New York Mellon, as successor trustee to the Chase Manhattan Bank.

B. SEMC became a party to said Original Master Indenture pursuant to that certain Agreement to Join as Member of the Obligated Group dated as of **September 1, 2018**.

C. MVHS, FSLH and SEMC previously issued its Bonds and other obligations under supplements to the Original Master Indenture to secure Indebtedness of Members of the Obligated Group (as hereinafter defined). As of the date of this Indenture, the Obligations listed on **Schedule A** (collectively, the "Existing Obligations") issued under the applicable supplemental indenture to the Original Master Indenture are outstanding.

D. The Obligated Group desires to amend and restate the Original Master Indenture according to its terms and the terms of this Indenture.

E. This Indenture establishes an "Obligated Group". MVHS will serve as the "Obligated Group Representative" under this Indenture. One or more entities affiliated with MVHS may in the future agree to become jointly and severally liable for the payment of all Obligations issued under this Indenture and the performance of all covenants and agreements contained in this Indenture. As of the date of delivery of this Indenture, MVHS, FSLH and SEMC are the only Members of the Obligated Group.

F. The Obligated Group wishes to evidence or secure various types of indebtedness and financial obligations that it may issue or incur, including indebtedness for borrowed money, guaranties, hedge agreements (including without limitation interest rate swap agreements), and other financial obligations. The Obligated Group has entered into this Indenture in order to provide for the issuance of various types of "Obligations" that will accomplish these purposes.

G. Subject to limitation herein, the Obligations and all other payment obligations under this Indenture are joint and several, full faith and credit obligations of the Obligated Group Members for the payment of which the Obligated Group's full faith and credit is pledged. In addition, the Obligations shall be secured by the Pledged Revenues (as defined herein).

H. All things have been done which are necessary to make the Obligations, when executed by the Obligated Group Representative and authenticated and delivered by the Master Trustee hereunder, the valid obligations of the Obligated Group, and to constitute this Indenture a valid trust indenture for the security of the Obligations, in accordance with the terms of the Obligations and this Indenture.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

It is hereby covenanted and declared that all the Obligations are to be authenticated and delivered and the property subject to this Indenture is to be held and applied by the Master Trustee, subject to the covenants, conditions and trusts hereinafter set forth, and the Obligated Group does hereby covenant and agree to and with the Master Trustee, for the equal and proportionate benefit (except as otherwise expressly provided herein) of the Holders of all Obligations as follows:

ARTICLE 1

Definitions and Other Provisions of General Application

SECTION 1.1 Definitions

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meaning indicated:

"**Accelerated Payments**", when used with respect to a Secured Hedge Agreement, means (i) payments due as a result of early termination, whether as a result of a default, optional or mandatory early termination, or the occurrence of an early termination event, (ii) payments upon termination that provide a total return on a referenced security, and (iii) other similar payments.

"**Act of Bankruptcy**" means the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against a person (and if against a person, remaining undismissed for 60 days) under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect.

"**Affiliate**" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities or membership interests, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Ancillary Commitment**" means a commitment made or incurred by a Member that is an obligation for the payment of money pursuant to (i) a Guaranty, (ii) a Hedge Agreement, (iii) a reimbursement obligation with respect to credit support of Debt incurred by the Member or (iv) any other type of contractual commitment (other than Debt) requiring the payment of money by the Member.

"**Ancillary Commitment Document**" means a contract or other document that evidences or provides for the obligations of a Member pursuant to any Ancillary Commitment.

"**Ancillary Obligations**" means Obligations issued by the Obligated Group to secure a Member's obligations under any Ancillary Commitment, such Obligations to be issued substantially in the form specified in ***Section 4.1(a)(3)***.

"Audited Financial Statements" means, a financial report of Mohawk Valley Health System and its Subsidiaries for any Fiscal Year performed and certified by a firm of qualified public accountants selected by the Obligated Group Representative prepared on a combined or consolidated, or combining or consolidating, basis in accordance with generally accepted accounting principles, covering the operations

of Mohawk Valley Health System and its Subsidiaries as of and for such Fiscal Year then ended and containing an audited consolidated balance sheet, consolidated statements of operations and changes in net assets, consolidated statements of cashflows and notes to the consolidated financial statements and a supplemental consolidating balance sheet and consolidating statements of operations for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year.

"**Authorized Denominations**", when used with respect to Direct Debt Obligations, has the meaning assigned in the Supplemental Indenture relating to the issuance of such Direct Debt Obligations.

"**Authorized Officer**", when used with respect to any Member, means the chief executive officer or chief financial officer of such Member or any other officer of such Member duly authorized by action of such Member's governing body to take the action contemplated.

"**Balloon Long-Term Debt**" means Long-Term Debt 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 Debt is issued to be amortized by redemption prior to such date. Debt containing a "put" or "tender" provision pursuant to which the holder of such Debt may require that such Debt be purchased prior to its maturity shall not be considered Balloon Long-Term Debt solely by reason of such "put" or "tender" provision.

"Bond Index" means, at the option of the Obligated Group Representative (a) the 30-year Revenue Bond Index published most recently by The Bond Buyer, or a comparable index if such Revenue Bond Index is not so published, (b) the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or any successor index thereto, (c) the weighted average coupon of all then-Outstanding Long-Term Debt secured by Obligations, or (d) such other interest rate or interest index as may be certified by the Obligated Group Representative in writing to the Master Trustee as appropriate to the situation. The Obligated Group Representative may designate a different Bond Index for each series or type of Long-Term Debt.

"**Book-Entry System**" means the Book-Entry system maintained by The Depository Trust Company, or any successor thereto, for the ownership, transfer, exchange and payment of debt obligations.

"**Book Value**", when used in connection with an asset of the Obligated Group, means the value of such asset as shown on the balance sheet of the Obligated Group. For depreciable assets Book Value shall be net of accumulated depreciation.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which the Master Trustee is authorized or required to be closed under general law or regulation applicable in the place where the Master Trustee performs its business with respect to the Indenture.

"**Capitalization**" means the principal amount of all Debt outstanding plus the total Unrestricted Net Assets of the Combined Group; provided, however, the foregoing calculation may take into account the provisions of ***Section 1.2*** hereof.

"**Cash and Investments**" means cash, cash equivalents, securities and other investment property; provided, however, that "Cash and Investments" does not include accounts receivable or contract rights with respect to payment or reimbursement for services provided.

"**Collateral**" means the Pledged Revenues and any other property that becomes part of the Trust Estate or is made subject to the Lien of the Indenture after the date of delivery of this instrument.

"**Combined Group**" means, collectively, the Members of the Obligated Group and the Restricted Affiliates.

"**Commercial Paper Debt"** means Debt in the form of commercial paper, notes or similar instruments with a maturity from 1 to 270 days from the date of issue.

"**Completion Debt**" means Long-Term Debt incurred by any member of the Combined Group for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term Debt has theretofore been incurred in accordance with the provisions of this Indenture, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time that such Long-Term Debt was originally incurred, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformity with the documents pursuant to which such Long-Term Debt theretofore incurred was originally incurred. Completion Debt is authorized to be incurred, assumed or undertaken without limitation in accordance with and subject to Subsection 8.9(b)(iv).

"**Conduit Issuer**" means an entity that issues bonds or other evidence of indebtedness to provide financing for the benefit of a Member and makes the proceeds of such indebtedness available to such Member pursuant to a loan agreement, lease agreement or other similar instrument.

"**Consultant**" means a person or firm qualified in the judgment of the Obligated Group Representative to pass upon questions relating to the financial affairs of a hospital and having a favorable reputation for skill and experience in the financial affairs of hospitals, who shall be appointed by the Obligated Group Representative and acceptable to the Master Trustee.

"**Counsel**" means a person qualified to practice law in any State of the United States or in the District of Columbia, who shall be appointed by the Obligated Group Representative and acceptable to the Master Trustee.

"**Credit Facility**" means a letter of credit, insurance policy, standby purchase agreement, guaranty agreement or other credit enhancement with respect to (i) Obligations issued under this Indenture, (ii) Related Debt of any Member of the Obligated Group, (iii) any bonds or other obligations of a Conduit Issuer with respect to which a Member of the Obligated Group has incurred Related Debt, or (iv) any Ancillary Obligation of a Member of the Obligated Group.

"**Credit Facility Agreement**" means an agreement pursuant to which the provider of a Credit Facility makes a Credit Facility available for the benefit of a Member of the Obligated Group, including without limitation a reimbursement agreement, an insurance agreement, and a credit agreement.

"**Credit Facility Default**" means, with respect to a Credit Facility Issuer, any of the following: (a) there shall occur a default in the payment of principal of or any interest on any bond supported by such Credit Facility or purchase price thereof by the Credit Facility Issuer when required to be made under the terms of the applicable 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 the firm, association, corporation or other Person, if any, which has issued a Credit Facility that provides credit or liquidity support with respect to Debt or Related Debt.

"Cross-over Date" means, with respect to Cross-over Refunding Debt, the last date on which the principal portion of the related Cross-over Refunded Debt is to be paid or redeemed from the proceeds of such Cross-over Refunding Debt.

"**Cross-over Refunded Debt**" means Debt refunded by Cross-over Refunding Debt.

"**Cross-over Refunding Debt**" means Debt issued for the purpose of refunding other Debt if the proceeds of such refunding Debt are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the refunded Debt, and the earnings on such escrow deposit are required to be applied to pay interest on such refunding Debt or refunded Debt until the Cross-over Date.

"**Debt**" means (i) all indebtedness, whether or not represented by Obligations, notes or other securities, for the repayment of borrowed money, (ii) all capitalized leases, installment sale agreements and other similar obligations for the payment of the purchase price of property or assets purchased, and (iii) any Guaranty with respect to an obligation that would constitute Debt under clause (i) or (ii) if incurred or assumed by a member of the Combined Group.

Debt does not include, among other things, (i) current obligations payable out of current revenues, (ii) current and long-term obligations for the funding of pension, post-retirement, workers compensation and other similar benefit plans and self-insurance programs (including professional liability); (iii) trade payables and obligations under contracts for supplies, services and pensions, allocable to the current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pensions paid; (iv) rentals under leases which are not capitalizable under generally accepted accounting principles; additionally, any lease that was not capitalized under generally accepted accounting principles as of the date of execution thereof, but at a later date is required to be capitalized under generally accepted accounting principles then in effect may, at the sole discretion of the Obligated Group Representative, be excluded from Debt; (v) obligations under Hedge Agreements except to the extent provided in Section 8.8(d); (vi) physician income guarantees, and (vii) any other obligations that do not constitute indebtedness under generally accepted accounting principles. Those examples of items excluded from Debt are not to create any implication that any other liability is included within Debt if it is not within the plain meaning of (i) through (vii).

"**Debt Obligations**" means Direct Debt Obligations and Related Debt Obligations.

"**Debt Service**" means the principal of, premium (if any) and interest on Direct Debt Obligations.

"**Debt Service Coverage Ratio**" means, for the Combined Group, on a consolidated basis, the ratio (expressed as a percentage) of Net Income Available for Debt Service for the Fiscal Year in question to the Debt Service Requirement as of the date of computation; provided, however, the foregoing calculation may take into account the provisions of ***Section 1.2***.

"**Debt Service Requirement**" means for any specified period, (a) the amounts payable as lease rentals in respect of any or all Long-Term Debt in the form of capitalized leases, subject to the treatment of leases in the definition of Debt and Section 1.10, (b) the amounts payable to the Holders of Obligations (or to the trustee for such Holders) in respect of the principal of any or all Obligations issued as Long-Term Debt under this Indenture (including scheduled mandatory redemptions of principal) and the interest on such Obligations, and (c) the amounts payable to any or all holders of Long-Term Debt other

than capitalized leases and Obligations under this Indenture (or to any trustee or paying agent for such holders) in respect of the principal of such Long-Term Debt (including mandatory redemptions or prepayments of principal) and the interest on such Long-Term Debt. Notwithstanding the foregoing, the amounts deemed payable in respect of any Long-Term Debt shall not include interest which is funded from the proceeds thereof or any amounts payable from funds available (without reinvestment) in a Qualified Escrow (other than amounts so payable solely by reason of a Member's failure to make payments from other sources). Non-scheduled termination or similar payments on Hedge Agreements, payments due upon optional redemptions, payments due on tenders of Debt for purchase or retirement (other than scheduled mandatory sinking fund payments), payments due as a result of acceleration following default and similar, and non-scheduled payments which come due or may become due on any Debt shall not be treated as Debt Service Requirements. In addition, calculations of Debt Service Requirements shall be subject to adjustment as and to the extent permitted or required by Section 8.8, *provided, however*, that in connection with the calculation of "Debt Service Requirement", in no event shall any payments to be made in respect of principal and/or interest on any Outstanding Long-Term Debt of the Obligated Group during such period be counted more than once.

"**Defaulted Interest**" has the meaning assigned in ***Section 5.3***.

"Defeasance Obligations" means, unless modified by the terms of a particular Supplemental Indenture, (a) noncallable, nonprepayable Government Obligations, (b) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (c) Defeased Municipal Obligations, (d) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, and (e) stripped securities where the principal-only and interest-only strips of noncallable obligations are issued by the U.S. Treasury.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers rated in the highest rating category by S&P and Moody's, provision for the payment of the principal of and interest on which shall have been made or provided for by irrevocable deposit with a trustee or escrow agent of (a) noncallable, nonprepayable Government Obligations, (b) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, or (c) stripped securities where the principal-only and interest-only strips of noncallable obligations are issued by the U.S. Treasury, the maturing principal of and interest on which when due and payable, without any reinvestment thereof, will provide sufficient money to pay the principal of and interest and any premium on such obligations of state or local government municipal bond issuers, and for which Defeased Municipal Obligations a specific call date has been established or for which the issuer has waived the ability to call such Defeased Municipal Obligations prior to a date certain.

"Demand Debt" means (a) any Long-Term Debt subject to purchase upon the occurrence of specified events or upon demand or tender by the holder thereof, and (b) commercial paper and other similar instruments issued under a program that has an expected term in excess of 365 days and that provides for the periodic issuance of debt obligations to repurchase, redeem or otherwise retire debt obligations previously issued under the program.

"**Direct Debt Obligations**" means Obligations that are issued by the Obligated Group to evidence and secure the Obligated Group's obligation for repayment of indebtedness for borrowed money, such Obligations to be substantially in the form specified in ***Section 4.1(a)(1)***.

"**Disposition**" means a conveyance, gift, transfer, sale, lease or other disposition of assets.

"**Electronic Means**" means email, facsimile transmission, or other methods of electronic communication in general use for business communication at the time.

"**Excluded Property**" means (a) any real property that is not Health Care Facilities of the Obligated Group, (b) the real, tangible and/or intangible property identified in **Exhibit A**, (c) any property designated as Excluded Property or that becomes Excluded Property under the provisions of ***Section 8.20***, (d) any property of a person becoming a Member that at the time is identified as Excluded Property as provided in ***Section 13.3(a)(4)***, (e) any additions to the real property identified in Exhibit A and all improvements, fixtures, tangible personal property and equipment located thereon, and (f) any assets of "employee pension benefits plans" as defined in the Employee Retirement Income Security Act of 1974, as amended, maintained by or for the benefit of the Combined Group.

"**Financing Participants**" means the Obligated Group and the Master Trustee.

"**Fiscal Year**" means the fiscal year of the Obligated Group ending on December 31 of each calendar year. The Obligated Group may change the Fiscal Year from time to time by requisite corporate action and will provide prompt notice of any such change to the Master Trustee.

"**Fitch**" means Fitch Ratings, Inc., 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 Obligated Group Representative by notice to the Master Trustee.

"**FSLH**" means Faxton-St. Luke's Healthcare, a New York not-for-profit corporation, until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "FSLH" means such successor corporation.

"**Fully Paid**", when used with respect to Obligations, has the meaning stated in ***Section 12.1(b)***.

"**Governing Body**" means, when used with respect to any member of the Combined Group, including the Obligated Group Representative, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such member of the Combined Group or the Obligated Group Representative are exercised.

"**Government Obligation**" means a direct obligation of the United States of America, an obligation the timely payment of principal of, and interest on, which are fully and unconditionally guaranteed by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America is pledged, an obligation of any of the following instrumentalities or agencies of the United States of America: (a) Federal Home Loan Bank System; (b) Export-Import Bank of the United States; (c) Federal Financing Bank; (d) Government National Mortgage Association; (e) Farmers Home Administration; (f) Federal Home Loan Mortgage Company; (g) Federal Housing Administration; (h) Private Export Funding Corp.; (i) Federal National Mortgage Association, (j) United States Agency for International Development, (k) Farm Credit System Insurance Corporation, (l) Student Loan Marketing Association (commonly referred to as "Sallie Mae"), (m) Resolution Funding Corporation (interest only), (n) United States

Maritime Administration, (o) Department of Housing and Urban Development, and (p) General Services Administration.

"**Guaranty**" means any obligation of any member of the Combined Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a member of the Combined Group which obligation of such other Person would, if such obligation were the obligation of a member of the Combined Group, constitute Debt hereunder; provided, however, that a "Guaranty" shall not include a contingent liability with respect to a Hedge Agreement or any other Liability that does not constitute Debt.

"**Health Care Facilities**" means the property now or hereafter used by any member of the Combined 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.

"**Hedge 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 Debt, to convert any element of Debt 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.

"**Holder**" means (i) if the Book-Entry System is not in effect with respect to an Obligation, the person in whose name such Obligation is registered on the Register maintained by the Master Trustee and (ii) if the Book-Entry System is in effect with respect to an Obligation, the beneficial owner of such Obligation on the records maintained pursuant to the Book-Entry System.

"**Indenture**" or "**this Indenture**" means this Master Trust Indenture, as amended and supplemented from time to time by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

"**Indenture Default**" has the meaning stated in ***Article 9***. An Indenture Default shall "exist" if an Indenture Default shall have occurred and be continuing.

"**Indenture Debt**" means all amounts due and payable under this Indenture, including without limitation, (i) all amounts payable on the Obligations, and (ii) all reasonable fees, charges, expenses (including, without limitation, the reasonable fees and expenses of the Master Trustee's counsel) and disbursements of the Master Trustee for services performed and disbursements made under this Indenture.

"**Independent**", when used with respect to any person, means a person who (a) is in fact independent, (b) does not have any direct financial interest or any material indirect financial interest in any Financing Participant or any Affiliate of a Financing Participant, and (c) is not connected with any Financing Participant or any Affiliate of a Financing Participant as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

"Initial Obligations" means those Obligations described in **Exhibit B** to this Indenture.

"**Insurance Consultant**" means a person qualified in the judgment of the Obligated Group Representative to survey risks and recommend insurance coverage for hospital facilities and services and organizations engaged in operations similar to those of the Obligated Group and having a favorable reputation for skill and experience in such surveys and recommendations, who shall be appointed by the Obligated Group Representative.

"**Interest Payment Date**", when used with respect to any installment of interest on a Direct Debt Obligation, means the date specified herein and in such Obligation as the date on which such installment of interest is due and payable.

"**Liabilities**" means Debt, Guaranties, and all other liabilities (within the meaning of generally accepted accounting principles) that may be incurred by the Obligated Group Representative, including without limitation the obligation to make payments or post collateral under a Hedge Agreement.

"**Lien**" means and includes a mortgage, deed of trust, pledge, encumbrance, security interest, assignment or other charge of any kind, including without limitation any conditional sale agreement or other title retention agreement.

"**Lockbox Fund**" has the meaning assigned in ***Section 8.15***.

"**Lockbox Notice**" has the meaning assigned in ***Section 8.15***.

"**Long-Term Debt**" means all Debt (other than Debt for which the timely payment of the principal of and interest on which has been provided for from the deposit of Defeasance Obligations in a Qualified Escrow) having an original term, or renewable at the option of the borrower or lessee for a period from the date originally incurred, longer than one year.

"**Master Trustee**" means The Bank of New York Mellon, a national banking association, until a successor Master Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Master Trustee" means such successor.

"**Maturity**", when used with respect to any Debt Obligation, means the date or dates specified in the related Supplemental Indenture and in such Obligation as the date on which principal of such Obligation is due and payable.

"**Maximum Annual Debt Service Requirement**" means the highest Debt Service Requirement for the current or any succeeding Fiscal Year; provided that Maximum Annual Debt Service

Requirements may be computed by the Obligated Group Representative in accordance with Section 8.8(f).

"**Member of the Obligated Group**" or "**Member**" means MVHS, FSLH, SEMC and any other Person becoming a Member of the Obligated Group pursuant to Section 13.3 hereof.

"**Moody's**" means Moody's Investors Services, Inc., a corporation organized and existing under the laws of the State of Delaware, 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, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

"**Mortgage**" means (i) the Mortgage and Security Agreement, from MVHS to the Master Trustee dated as of November 1, 2019, as the same may be supplemented and amended from time to time, and (ii) any future mortgage executed by a Member of the Obligated Group and delivered to the Master Trustee to secure the Obligations of the Obligated Group to the Master Trustee with respect to the Obligations as may be issued from time to time.

"Mortgaged Property" means any and all Property, whether real, personal or mixed, and all rights and interests in and to the Property, which is subject to the liens and security interests created under a Mortgage.

"**MVHS**" means Mohawk Valley Health System, a New York not-for-profit corporation, until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "MVHS" means such successor corporation.

"**Net Income Available for Debt Service**" means, on the basis of the Combined Group or any member thereof, for any period of time for which calculated, the excess of (i) revenues (after adjustments, discounts or contractual allowances) and gains over (ii) expenses and losses other than depreciation, amortization and interest as determined in accordance with generally accepted accounting principles and as shown in the Audited Financial Statements, expressly including any Delivery System Reform Incentive Payments (DSRIP) income and grants or other funds from federal or state agencies; provided, however, that the following items shall be excluded from the computation of "Net Income Available for Debt Service": (A) extraordinary items of income or loss, (B) gains or losses resulting from the early extinguishment of Debt, or termination of Hedge Agreements, (C) unrealized gains and losses on investments or Hedge Agreements, (D) any gains or losses from the sale, exchange or other disposition of assets not in the ordinary course of business or the reappraisal, revaluation or write-up (write-down) of assets, (E) any loss from impairment of the value of assets, (F) pension adjustments, or any other significant unusual and infrequently occurring gains or losses; provided, however, that, at the Obligated Group Representative's election, gain from a sale-leaseback under generally accepted accounting principles may be included, (G) financing costs that are treated as a current expense, rather than amortized, (H) gifts, grants, bequests or donations specifically restricted as to use by the donor or grantor for a purpose inconsistent with the payment of debt service on Indebtedness of a member of the Combined Group, (I) net proceeds of insurance (other than business interruption and cyber) and condemnation proceeds, and (J) any other item that is non-recurring and also a non-cash item; provided, however, at the option of the Obligated Group Representative, net realized gains and losses from the sale of investments may be included in the computation of Net Income Available for Debt Service on the basis of the average annual amount of those gains and losses for the three (3) Fiscal Years immediately preceding the computation date (rather than including the actual amount of net realized gains and losses from the sale of investments for the period for which the computation is being performed).

Any calculation made will exclude any gains or losses attributable to transactions between any member of the Combined Group and any other member of the Combined Group and may take into account the provisions of ***Section 1.2*** hereof.

In the event that the fiscal year of any member of the Combined Group ends on a date other than the last day of a Fiscal Year, the Net Income Available for Debt Service of such member during its fiscal year ending within the Fiscal Year under consideration shall be deemed to be its Net Income Available for Debt Service for such Fiscal Year.

"**Non-Obligated Affiliate**" has the meaning assigned in ***Section 8.14***.

"**Non-Recourse Debt**" means any Debt (a) that is incurred pursuant to and secured solely as permitted under Section 8.9(e), and (b) the holder of which has no claim for any payments in respect thereof against the general credit of any member of the Combined Group or against any properties or revenues other than the properties or revenues subject to the liens or security interests permitted by Section 8.9(e).

"**Obligated Group**" or "**Members**" or "**Obligated Group Members**" or "**Members of the Obligated Group**" means and includes all entities that, at the time in question, are jointly and severally liable for Obligations issued under this Indenture or other Indenture Debt. On the date of delivery of this instrument, MVHS, FSLH and SEMC are the only Members of the Obligated Group. Members may be added to the Obligated Group, and Members may withdraw from the Obligated Group, subject to the provisions of ***Article 13***.

"**Obligated Group Representative**" means MVHS, acting in its capacity as representative of the Obligated Group pursuant to ***Section 13.5***.

"**Obligation**" means any obligation issued pursuant to this Indenture, including Direct Debt Obligations, Related Debt Obligations, and Ancillary Obligations.

"**Obligation Documents**" means this Indenture and the Obligations.

"**Office of the Master Trustee**" means the office of the Master Trustee for hand delivery of notices and other documents, as specified pursuant to ***Article 14***.

"**Officer's Certificate**" means a certificate signed by the Obligated Group Representative that meets the requirements set forth in this Indenture.

"**Operating Expenses**" when used with respect to the remedy provision of ***Section 8.15***, means all operating expenses under generally accepted accounting principles other than depreciation, amortization, unrealized losses on investments and hedges (including without limitation Hedge Agreements), and other non-cash items that may be included in operating expenses under generally accepted accounting principles.

"**Operating Revenue**" means the total operating revenue of the Obligated Group (after adjustments, discounts or contractual allowances under Medicare, Medicaid, Blue Cross and similar programs) during the period in question, for its own account, from the conduct of its business.

"**Opinion of Counsel**" means an opinion from an attorney or firm of attorneys with experience in the matters to be covered in the opinion. Except as otherwise expressly provided in this Indenture, the

attorney or attorneys rendering such opinion may be counsel for one or more of the Financing Participants.

"**Outstanding**" when used with respect to Obligations means, as of the date of determination, all Obligations authenticated and delivered under this Indenture, except:

(a) Obligations cancelled by the Master Trustee or delivered to the Master Trustee for cancellation;

(b) Obligations for whose payment or redemption money or Defeasance Obligations in the necessary amount has been deposited with the Master Trustee in trust for the Holders of such Obligations, provided that, if such Obligations are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Master Trustee has been made;

(c) Obligations in exchange for or in lieu of which other Obligations have been authenticated and delivered under this Indenture; and

(d) For purposes of determining whether the Holders of the requisite amount of Obligations Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder (including any request, demand, authorization, direction, notice, consent or waiver pursuant to the remedy provisions of ***Article 9*** or an amendment pursuant to ***Article 11***), Ancillary Obligations and Obligations registered in the name of (or in the name of a nominee for) the Obligated Group or any Affiliate of the Obligated Group shall be excluded.

"**Payment Date**", when used with respect to Direct Debt Obligations, means each date (including any date fixed for redemption of Direct Debt Obligations), on which Debt Service is payable on Direct Debt Obligations.

"**Permitted Debt**" has the meaning assigned in ***Section 8.9***.

"**Permitted Disposition**" has the meaning assigned in ***Section 8.11***.

"**Permitted Lien**" has the meaning assigned in ***Section 8.10.***

"**Pledged Revenues**" means all receipts, income, rents, royalties, benefits and other revenue from the operation of the Obligated Group's facilities and all rights to receive such revenue, including without limitation:

(1) contributions, donations and pledges, whether in the form of cash, securities or other personal property;

(2) all rights to receive such revenue in the form of accounts (including health-care-insurance receivables), contract rights, Medicare and Medicaid receivables, chattel paper, instruments, rights under agreements with insurance companies, or other similar rights; and

(3) the proceeds of any of the foregoing, including any insurance thereon;

whether such revenues or rights are now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Obligated Group; provided, however, that there shall be excluded from Pledged Revenues (i) gifts, grants, bequests, donations and contributions heretofore or

hereafter made, designated at the time of making thereof by the donor or maker as being for certain specific purposes, and the income derived therefrom, to the extent required by such designation, (ii) all receipts, revenues, income and other moneys received or receivable by or on behalf of a Member of the Obligated Group, and all rights to receive the same whether in the form of accounts, payment intangibles, contract rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof as such terms are presently or hereinafter defined in the New York Uniform Commercial Code, and any insurance or condemnation proceeds thereon, whether now owned or hereafter acquired, any of which is derived from the Excluded Property which constitutes real property, (iii) to the extent that applicable law precludes granting of a security interest in, or a pledge or assignment of, any portion of such revenue, or the right to receive the same, or both, such revenue or right shall be excluded from Pledged Revenues, and (iv) insurance proceeds relating to assets financed by a third party through a capital lease permitted under the Indenture or subject to an operating lease as to which any Member of the Obligated Group is the lessee.

"**Post-Default Rate**" means (a) when used with respect to any payment of Debt Service on any Direct Debt Obligation, the rate specified in such Obligation for overdue installments of Debt Service on such Obligation, computed as provided in such Obligation, and (b) when used with respect to all other payments due under this Indenture, a variable rate equal to the Master Trustee's prime rate plus 1% (100 basis points), computed on the basis of a 365 or 366-day year, as the case may be, for actual days elapsed.

"**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.

"Purchase Money Debt" means Debt incurred by a member of the Combined Group pursuant to a purchase money contract, conditional sale agreement, installment purchase contract, capitalized lease or other similar debt or title retention agreement in connection with the acquisition of real or personal property and secured by a purchase money mortgage, security interest or lien with respect to the property acquired by such member of the Combined Group, where the lien of the seller or lender under such agreement is limited to such property.

"**Purchase Money Mortgage**" means a Lien held by any person (whether or not the seller of the assets subject to such Lien) on property acquired or constructed by a Member after the date of delivery of this instrument and granted contemporaneously with such acquisition or construction, which Lien secures all or a portion of the related purchase price or construction costs of such assets.

"Qualified Escrow" means a segregated escrow fund or other similar fund or account which (a) is irrevocably established as security for Long-Term Debt previously incurred and then outstanding (herein referred to as "Prior Debt") or for Long-Term Debt, if any, then to be incurred to refund outstanding Prior Debt (herein referred to as "Refunding Debt"), is held by the holder of the Prior Debt or Refunding Debt secured thereby or by a trustee or agent acting on behalf of such holder, (b) is held in cash or invested in Defeasance Obligations, and (c) is required by the documents establishing such fund or account to be applied toward a Member's payment obligations in respect of the Prior Debt, provided that, if the fund or account is funded in whole or in part with the proceeds of Refunding Debt, the documents establishing the same may require specified payments of principal or interest (or both) in respect of the Refunding Debt to be made from the fund or account prior to the date on which the Prior Debt is repaid in full.

"**Rating Agency**" means Fitch, Moody's, S&P, or any other nationally recognized securities rating agency.

"Rating Categories" means rating categories as published by a Rating Agency in its written compilations of ratings and any written supplement or amendment thereto and any such Rating Category shall be determined on the generic rating without regard to any modifiers (without qualification by symbols "+" or "-" or a numerical notation) and, unless otherwise specified in the Obligation Documents, shall be long term ratings.

"**Refunding Debt**" means any Debt issued for the purpose of refunding or refinancing outstanding Debt.

"**Register**" means the register or registers for the registration and transfer of Obligations maintained by the Obligated Group pursuant to ***Section 5.1***.

"**Regular Record Date**" has the meaning assigned in the related Supplemental Indenture for any series of Direct Debt Obligations.

"**Regularly Scheduled Payments**" means:

(1) When used with respect to Debt evidenced by Direct Debt Obligations and Related Debt, (i) regularly scheduled interest payments and (ii) regularly scheduled principal payments, whether at maturity, on an installment payment date, or on any scheduled mandatory redemption date;

(2) When used with respect to Secured Hedge Agreements, payments scheduled for regular payment on specified dates or at specific intervals (but not including any Accelerated Payments with respect to such Secured Hedge Agreement);

(3) When used with respect to an Ancillary Commitment that is a Guaranty, payments on the Guaranteed Debt that constitute (i) regularly scheduled interest payments and (ii) regularly scheduled principal payments, whether at maturity, on an installment payment date, or on any scheduled mandatory redemption date; and

(4) When used with respect to any other Ancillary Obligations, regularly scheduled payments under an Ancillary Commitment;

but shall not, in any case, include amounts payable as a result of (i) optional prepayment or redemption or (ii) acceleration or other early payment resulting from a default, an early termination event, or any other similar event or contingency.

"**Reimbursement Obligation**" means an obligation on the part of a Member to reimburse the obligor under a Credit Facility for amounts paid by such obligor with respect to any Debt or Guaranty of such Member.

"**Related Debt**" means Debt of a Member (other than Direct Debt Obligations) that is evidenced by a note, bond or other form of indebtedness for borrowed money issued pursuant to a Related Debt Document. Related Debt may include a loan agreement, lease agreement or other similar instrument that constitutes Debt of such Member and is delivered to a Conduit Issuer.

"**Related Debt Document**" means any indenture, loan agreement, or other similar instrument evidencing Related Debt incurred by a Member or Members of the Obligated Group.

"**Related Debt Issuer**" means the issuer of any issue of Related Debt.

"**Related Debt Obligation**" means an Obligation issued by the Obligated Group to secure Related Debt, such Obligations to be substantially in the form specified in ***Section 4.1(a)(2)***.

"**Related Debt Trustee**" means the trustee and its successors in the trusts created under any Related Debt Document.

"**Responsible Officer**" means, when used with respect to the Master Trustee, the officer or officers of the Master Trustee within the corporate trust department having direct responsibility for the administration of this Indenture.

"**Restricted Affiliate**" means any Affiliate of a member of the Obligated Group that:

(1) is either (i) a governmental body, including, but not limited to, a special district, or (ii) a non-stock membership corporation of which one or more members of the Obligated Group are the sole members, or (iii) a non-stock, non-membership corporation or a trust of which the sole beneficiaries or controlling Persons are one or more Members of the Obligated Group, or (iv) a stock or membership corporation, all of the outstanding shares of stock of which are owned by one or more Members of the Obligated Group; and

(2) (i) if such Affiliate is a non-stock corporation or a trust, the articles of incorporation or code of regulations or comparable organizational documents, in the case of a non-stock corporation, and the applicable organizational documents, in the case of a trust, provide that the net assets of such Affiliate shall be transferred to the Member (members) of the Obligated Group that is (are) its sole member(s), beneficiary(ies) or controlling person(s) upon liquidation or dissolution of such Affiliate, provided that if such Affiliate is a Tax-Exempt Organization, then for so long as the applicable Member of the Obligated Group is a Tax-Exempt Organization, the organizational documents of such Affiliate and applicable law may (A) provide for the naming of another Member of the Obligated Group as a substitute beneficiary if the then current beneficiary ceases to be a Tax-Exempt Organization, and (B) prohibit transfers to organizations that are not Tax-Exempt Organizations, and (ii) (A) the power to alter, amend or repeal the articles of incorporation or code of regulations or other applicable organizational documents of such Affiliate, or to adopt a new code of regulations for such entity, is reserved to the Member(s) of the Obligated Group that is (are) its sole member(s), beneficiary(ies) or controlling person(s) and (B) the Member(s) of the Obligated Group that is (are) its sole member(s), beneficiary(ies) or controlling Person(s) has (have) the sole right to appoint and dismiss, with or without cause, the members of the Board of such Affiliate; and (iii) has (A) the legal power, with approval of a majority of its Board but without the consent of any other Person, to transfer to one or more Members of the Obligated Group money required for the payment of Debt of the Obligated Group, and (B) the ability under applicable law and its organizational documents, with approval of a majority of the members of its Board, to transfer all assets of such Affiliate remaining after payment of its debts to one or more Members of the Obligated Group, provided that if such Affiliate is a Tax-Exempt Organization, then for so long as the applicable Member of the Obligated Group is a Tax-Exempt Organization, the organizational documents of such Affiliate and applicable law may (x) provide for the naming of another Member of the Obligated Group as a substitute beneficiary if the then current beneficiary ceases to be a Tax-Exempt Organization, and (y) prohibit transfers to organizations that are not Tax-Exempt Organizations; and

(3) has satisfied (or a predecessor has satisfied) the requirements set forth in this Indenture for becoming a Restricted Affiliate and has not thereafter (i) ceased to satisfy the requirements of clauses (1) and (2) or (ii) satisfied the requirements set forth in this Indenture for ceasing to be a Restricted Affiliate.

"**S&P**" means Standard & Poor's Rating Services, a part of McGraw-Hill Financial 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 Obligated Group Representative by notice to the Master Trustee.

"**Secured Hedge Agreement**" has the meaning assigned in ***Section 4.2***.

"**SEMC**" means St. Elizabeth Medical Center, a New York not-for-profit corporation, until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "SEMC" means such successor corporation.

"**Short-Term Debt**" means all Debt having a maturity of one year or less, other than the current portion of Long-Term Debt, excluding trade debt incurred in the ordinary course of business, but, 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.

The term Short-Term Debt shall not be deemed to include any Non-Recourse Debt or any Demand Debt.

"**Special Record Date**" for the payment of any Defaulted Interest on Direct Debt Obligations means a date fixed by the Master Trustee pursuant to ***Section 5.3***.

"**Subordinated Debt**" means Debt payment of which is, by the terms of such Debt and any instrument evidencing or securing the same, effectively subordinated in right of payment to the Obligations as follows:

(1) If no Indenture Default exists, Regularly Scheduled Payments of principal and interest on such Subordinated Debt shall be permitted.

(2) If an Indenture Default exists (including without limitation an Act of Bankruptcy with respect to any Member), all payments of principal and interest on such Subordinated Debt shall be deferred until payment in full of all amounts due on the Obligations.

"**Supplemental Indenture**" means an instrument supplementing, modifying or amending this Indenture.

"**Tax-Exempt Organization**" means an entity organized under the laws of the United States of America or any state or territory thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code, and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"**Total Revenues**" means, for the Combined Group for any period of time for which calculated, the total of all unrestricted revenue and other support (including net patient revenue), other operating revenue, and net assets released from restrictions, as shown in the Audited Financial Statements for the most recent Fiscal Year; provided, however, the foregoing may take into account the provisions of ***Section 1.2*** hereof.

"**Trust Estate**" has the meaning stated in ***Article 3***.

"**Unrestricted Cash and Investments**" means all cash and marketable securities of the Combined Group, including board designated funds, that the Combined Group could, in its discretion, apply to the payment of Debt without violating any Lien or other security agreement or applicable law or the restrictions of any grant or gift. Without limiting the generality of the foregoing, Unrestricted Cash and Investments shall not include (A) master trustee-held funds, including debt service funds, debt service reserve funds and construction funds, (B) malpractice funds, self-insurance or captive insurer funds, (C) pension or retirement funds, (D) funds subject to any Permitted Lien, unless such Permitted Lien secures all Obligations or (E) the undisbursed proceeds of any borrowing. Marketable securities shall be valued at fair market value as of the date of determination.

Unrestricted Cash and Investments shall be reduced by the following: (A) bank overdrafts, (B) the amount received from the sale or factoring of accounts receivable or inventory and (C) cash or investments held as part of litigation reserves or a reserve for any other liability other than Operating Expenses.

"**Unrestricted Net Assets**" means the unrestricted net assets, capital and surplus, or other equivalent accounting classification representing the net worth of the Combined Group; provided, however, the foregoing may take into account the provisions of ***Section 1.2*** hereof.

"**Variable Rate Debt**" means any portion of Debt the interest rate on which has not been established at a fixed or constant rate to maturity.

SECTION 1.2 General Rules of Construction

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) Defined terms in the singular shall include the plural as well as the singular, and vice versa.

(b) The definitions in the recitals to this instrument are for convenience only and shall not affect the construction of this instrument.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles. Subject to ***Section 1.10*** hereof, all references herein to "generally accepted accounting principles" refer to such principles as they exist on the date of application thereof.

(d) All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(e) The terms "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(f) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(g) The term "person" shall include any individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization and any government or any agency or political subdivision thereof.

(h) The term "including" means "including without limitation" and "including, but not limited to".

(i) Provisions calling for or referring to a calculation, with respect to the Obligated Group or Combined Group, as the case may be, in accordance with generally accepted accounting principles, shall be subject to **Section 8.14(a)** hereof.

(j) Notwithstanding anything else in this Indenture to the contrary, in computing or calculating Capitalization, Net Income Available for Debt Service, Debt Service Coverage Ratio, Total Revenues, Unrestricted Net Assets, and other quantitative financial tests or provisions, the Obligated Group, at the option of the Obligated Group Representative, may utilize financial and other information either (i) with respect to the Combined Group in the aggregate or (ii) so long as the Obligated Group constitutes or is responsible for at least eighty percent (80%) of the assets and revenues of MVHS for the most recent Fiscal Year of MVHS, with respect to MVHS in the aggregate, such percentage to be calculated in a manner that excludes intercompany eliminations from the numerator of such calculation.

SECTION 1.3 Ownership of Obligations; Effect of Action by Holders

(a) The ownership of Obligations shall be proved by the Register.

(b) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Obligation shall bind every future Holder of the same Obligation and the Holder of every Obligation issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Master Trustee or the Obligated Group in reliance thereon, whether or not notation of such action is made upon such Obligation.

SECTION 1.4 Effect of Headings and Table of Contents

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.5 Date of Indenture

The date of this Indenture is intended as and for a date for the convenient identification of this Indenture and is not intended to indicate that this Indenture was executed and delivered on said date.

SECTION 1.6 Separability Clause

If any provision in this Indenture or in the Obligations shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.7 Governing Law

This Indenture shall be construed in accordance with and governed by the laws of the State of New York.

SECTION 1.8 Counterparts

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 1.9 Designation of Time for Performance

Except as otherwise expressly provided herein, any reference in this Indenture to the time of day shall refer to the prevailing time in the place where the Master Trustee maintains its place of business for performance of its obligations under this Indenture.

SECTION 1.10 Accounting Principles and Procedures; Interpretation; References to Financial Statements

Notwithstanding anything in ***Section 1.2(c)*** to the contrary, if the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation, combination or other accounting computation is required to be made for the purposes of this Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to this Indenture, that determination or computation shall be made in accordance with generally accepted accounting principles in effect on, at the sole option of the Obligated Group Representative, (i) the date such determination or computation is made for any purpose of this Indenture, or (ii) the date of signing and delivery of this Indenture, if in the case of clause (ii) the Obligated Group Representative delivers an Officer's Certificate to the Master Trustee describing why the then-current generally accepted accounting principles are inconsistent with the intent of the parties on the date of signing and delivery of this Indenture; provided that the requirements set forth herein shall prevail if inconsistent with generally accepted accounting principles. For the purpose of preparing consolidated or combined financial information for two or more entities, transactions between those entities shall be eliminated and the specific provisions of this Indenture shall prevail over any inconsistent generally accepted accounting principles. Unless otherwise expressly provided herein, for the purpose of determining the amount of assets, liabilities, equity or capital, or revenues, expenses, income, losses or gains of a Member or the Obligated Group or any Restricted Affiliate or the Combined Group, the amount of the respective item shall be determined on a consolidated basis, in accordance with generally accepted accounting principles, consistently applied. For the purpose of determining any consolidated financial information with respect to a Member, the Obligated Group, any Restricted Affiliate or the Combined Group, reference shall be made, unless that information is otherwise available as audited on a combined or consolidated basis, to audited combining or consolidating financial information set forth as other financial information within an audit report in which Audited Financial Statements are set forth on a consolidated or combined basis that reflects financial information of one or more entities that are not to be taken into account hereunder in the determination of financial information with respect to a Member, the Obligated Group, a Restricted Affiliate or the Combined Group for the same Fiscal Year. For the avoidance of doubt, it is the intent of the parties that any operating lease, as defined by the Financial Accounting Standards Board upon the

date of its original execution and delivery, and any renewal of such operating lease, shall be governed in accordance with generally accepted accounting principles in effect on the date of its original execution and delivery and shall not be treated as the incurrence of Debt or the disposition of property, unless otherwise elected by the Obligated Group Representative.

ARTICLE 2

Source of Payment

SECTION 2.1 Source of Payment of Obligations and Other Obligations

(a) The Obligations and all other obligations under this Indenture shall be joint and several, full faith and credit obligations of each Member of the Obligated Group for which its respective full faith and credit is hereby pledged.

(b) This Indenture shall not constitute or effect a pledge or assignment of, or any other type of security interest in, the property of the Obligated Group other than the property specifically identified by this Indenture as part of the Trust Estate.

SECTION 2.2 Officers, Directors, etc. Exempt from Individual Liability

No recourse under or upon any covenant or agreement of this Indenture, or of any Obligations, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future incorporator, officer, employee, agent or member of the governing body of any Member, or of any successor, either directly or through the Member, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the Obligations issued hereunder are solely corporate obligations, and that no personal liability whatever shall attach to, or is or shall be incurred by, any incorporator, officer, employee, agent or member of the governing body of any Member or any successor, or any of them, because of the issuance of the Obligations, or under or by reason of the covenants or agreements contained in this Indenture or in any Obligations or implied therefrom.

ARTICLE 3

Security for Payment

SECTION 3.1 Pledge and Assignment

To secure the payment of the Indenture Debt and the performance of the covenants contained in this Indenture, and to declare the terms and conditions on which the Obligations are secured, and in consideration of the premises and of the purchase or acceptance of the Obligations by the Holders thereof, the Obligated Group hereby pledges and assigns to the Master Trustee, and grants to the Master Trustee a security interest in, the following property:

(a) **Pledged Revenues**. All right, title and interest of the Obligated Group in and to the Pledged Revenues.

(b) **Other Property**. Any and all property of every kind or description which may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the Lien of this Indenture as additional security by the Obligated Group or anyone on its part or with its consent, or which pursuant to any of the provisions hereof may come into the possession or control of the Master Trustee or a receiver appointed pursuant to this Indenture; and the Master Trustee is

hereby authorized to receive any and all such property as and for additional security for the obligations secured hereby and to hold and apply all such property subject to the terms hereof.

TO HAVE AND TO HOLD all such property, rights and privileges (collectively called the "Trust Estate") unto the Master Trustee and its successors and assigns;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of the Obligations (without any priority of any such Obligation over any other such Obligation), except as otherwise provided herein;

PROVIDED, HOWEVER, that the Obligated Group may receive, use and apply the cash and other proceeds from Pledged Revenues to the extent permitted by ***Section 8.15***.

SECTION 3.2 Separate Security for Obligations

The Obligated Group may deliver to the Master Trustee a separate Credit Facility solely for the benefit of specified Obligations issued under this Indenture, which may be all or any portion of one or more series of Obligations. Such Credit Facility shall not be considered part of the Trust Estate. The terms of the Supplemental Indenture authorizing the issuance of the specified secured Obligations (1) may grant to the provider of such Credit Facility the right to exercise certain rights or powers, or to grant or withhold any consent, on behalf of the Holders of Obligations secured by such Credit Facility and (2) may provide that such provider shall be subrogated to the rights of the Holders of Obligations secured by such Credit Facility if, and to the extent that, such provider is not paid or reimbursed for amounts paid to Holders of Obligations secured by such Credit Facility.

SECTION 3.3 Mortgages

(a) The Master Trustee may accept a mortgage of real property from any Member upon such terms and conditions as the Master Trustee, subject to this ***Section 3.3***, may in its discretion approve.

(b) Any mortgage delivered pursuant to ***Section 3.3(a)*** may, in addition to the mortgage of real estate, provide for the pledge or assignment of, or grant of a security interest in, such other property as the Master Trustee may in its discretion deem appropriate.

(c) The Master Trustee shall and hereby is authorized to enter into, or consent to any amendment, change or modification of any mortgage delivered pursuant to ***Section 3.3(a)*** without the consent of or notice to any Holders (i) for the purpose of curing any ambiguity, formal defect or omission therein, (ii) in order to correct or supplement any provision therein which may be inconsistent with any other provision therein or in this Indenture, (iii) that is not, in the judgment of the Master Trustee, prejudicial to the Holders of any Obligations Outstanding, or (iv) to permit the release of property from the lien of the Mortgage to the extent such property is or may become Excluded Property under this Indenture. Except as permitted by the preceding sentence, the Master Trustee shall not enter into or consent to any amendment, change or modification of any such mortgage without the consent of the Holders of not less than a majority in the aggregate principal amount of Obligations then Outstanding that are secured by mortgages.

(d) Any Obligation may be secured, but shall not be required to be, secured, by any mortgage delivered pursuant to ***Section 3.3(a)***. Such mortgage shall not be considered part of the Trust Estate. If an Obligation is to be secured by any mortgage, the applicable Supplemental Indenture shall state that the Obligation shall be so secured. Notwithstanding anything in this

Indenture to the contrary, any mortgage delivered pursuant to ***Section 3.3(a)*** shall be for the equal and ratable benefit of the Holders of Obligations for which such a designation has been made. In the event of an exercise of remedies pursuant to such a mortgage, any amounts collected shall be applied in the order set forth in ***Section 9.3***; provided that such application shall only be made with respect to those Obligations that have been designated as being secured by the mortgage pursuant to which such remedies are exercised.

For the avoidance of doubt, any member of the Combined Group may mortgage or grant a security interest in any Excluded Property to any party without limitation.

ARTICLE 4

Terms for Issuance of Obligations

SECTION 4.1 General Terms and Types of Obligations

(a) The following types of Obligations may be issued under this Indenture:

(1) **Direct Debt Obligations.** The Obligated Group may issue Obligations (which Obligations may be in the form of bonds or notes) that evidence the Obligated Group's obligation for repayment of indebtedness for borrowed money (referred to in this Indenture as "Direct Debt Obligations"). The form of Direct Debt Obligations shall be a note substantially as provided in ***Exhibit 4.1(a)(1)***, with such appropriate changes or variations as are required or permitted by this Indenture.

(2) **Related Debt Obligations.** The Obligated Group may issue Obligations that secure the obligations of a Member (or Members) issued or incurred with respect to Related Debt under a separate Related Debt Document (referred to in this Indenture as "Related Debt Obligations"). The form of Related Debt Obligations shall be substantially as provided in ***Exhibit 4.1(a)(2)***, with such appropriate changes or variations as are required or permitted by this Indenture.

(3) **Ancillary Obligations.** The Obligated Group may issue Obligations that secure the obligations of a Member (or Members) issued or incurred with respect to an Ancillary Commitment under a separate Ancillary Commitment Document; provided, however, that Ancillary Obligations issued with respect to Secured Hedge Agreements must meet the requirements of ***Section 4.2.*** The form of Ancillary Obligations shall be substantially as provided in ***Exhibit 4.1(a)(3)***, with such appropriate changes or variations as are required or permitted by this Indenture.

(b) The terms of each Obligation shall be specified in the related Supplemental Indenture that authorizes the issuance of such Obligation. The amount of Obligations that may be issued under this Indenture is not limited, except as provided in the covenants set forth herein and in the related Supplemental Indenture for any separate Obligations to be issued under that Supplemental Indenture.

(c) Any Supplemental Indenture relating to Direct Debt Obligations shall specify the terms of issuance for such Obligations, including the following: the aggregate principal amount, the series designation, the Maturity or Maturities of principal, the interest rate or rates (or provisions for the determination thereof), the Authorized Denominations, the Interest Payment Dates for such Obligations, the redemption provisions with respect to such Obligations, and the form of such Obligations, which shall be consistent with the form of Obligations specified in ***Exhibit 4.1(a)(1)***. The terms of issuance for such

Direct Debt Obligations must be consistent with the general terms of this Indenture relating to Direct Debt Obligations.

(d) Any Supplemental Indenture relating to Related Debt Obligations and Ancillary Obligations may adopt by reference the payment provisions of the Related Debt Document or Ancillary Commitment Document pursuant to which the Obligated Group issues or incurs the Related Debt or the related Ancillary Commitment.

(e) Except as otherwise provided herein, the Holders of all Obligations will be secured equally and proportionately with the Holders of all other Obligations issued under this Indenture; provided, however, that for purposes of determining whether the Holders of the requisite amount of Obligations Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder (including any request, demand, authorization, direction, notice, consent or waiver pursuant to the remedy provisions of ***Article 9*** or an amendment pursuant to ***Article 11***), Ancillary Obligations and Obligations registered in the name of (or in the name of a nominee for) the Obligated Group or any Affiliate of the Obligated Group shall be excluded.

SECTION 4.2 Ancillary Obligations to Secure Hedge Agreements

(a) The Obligated Group may issue Ancillary Obligations to secure payments due under a Hedge Agreement entered into by a Member of the Obligated Group or to secure payments due under a guaranty by a Member of the Obligated Group of the obligations of another person under a Hedge Agreement (such Hedge Agreements or guaranties being referred to as "Secured Hedge Agreements"). An Ancillary Obligation, or the related Supplemental Indenture, with respect to a Hedge Agreement that is to be a Secured Hedge Agreement shall designate the types of payments on such Hedge Agreement that are secured by such Ancillary Obligation, which may, at the option of the Obligated Group, include: (i) only Regularly Scheduled Payments, (ii) only Accelerated Payments, or (iii) both Regularly Scheduled Payments and Accelerated Payments. An Ancillary Obligation with respect to a guaranty of obligations under a Hedge Agreement shall secure all payments due under the guaranty, which may include payments under the Hedge Agreement that would constitute Regularly Scheduled Payments and/or Accelerated Payments.

(b) The Master Trustee shall not use any portion of the Trust Estate in its possession to make payments on a Secured Hedge Agreement that are not secured by the related Ancillary Obligation and shall not make payments on a Secured Hedge Agreement from the Trust Estate except as permitted by ***Section 8.15***. The Obligated Group may make payments on a Secured Hedge Agreement (including Accelerated Payments) from (i) cash and other proceeds from the Pledged Revenues that the Obligated Group is authorized to receive, use and apply under the terms of ***Section 8.15***, and (ii) funds pledged to secure the Obligated Group's obligations under the Secured Hedge Agreement, to the extent permitted by ***Section 8.10(a)(39)***.

(c) Ancillary Obligations issued to secure payments under a Secured Hedge Agreement may adopt by reference the terms of the Secured Hedge Agreement.

(d) Reserved.

(e) Ancillary Obligations issued pursuant to this Section do not constitute Debt and may be incurred without regard to provisions of this Indenture restricting or limiting the issuance or incurrence of Debt.

SECTION 4.3 Conditions Precedent to Issuance of Obligations

(a) Prior to the issuance of any Obligations, the Obligated Group shall deliver to the Master Trustee the following:

(1) **Supplemental Indenture**. A Supplemental Indenture duly executed on behalf of the Obligated Group by the Obligated Group Representative and containing (to the extent applicable) (i) a description of the Obligations proposed to be issued, including the information required in this ***Article 4***, (ii) a statement of the purpose or purposes for which such Obligations are to be issued, (iii) a representation that no Indenture Default exists, (iv) the identity of the person or persons to whom such Obligations will be issued and (v) any other matters deemed appropriate by the Obligated Group and not inconsistent with the terms of this Indenture.

(2) **Executed Obligations.** The Obligations duly executed on behalf of the Obligated Group by the Obligated Group Representative, for authentication by the Master Trustee.

(3) **Certificate Regarding Additional Debt.** If such Obligations constitute Debt Obligations, a certificate by an Authorized Officer of the Obligated Group Representative stating in effect that the Obligated Group is entitled to issue or incur such Debt pursuant to an identified exception contained in ***Section 8.9***, together with any documents or opinions required for compliance with such exception.

(4) **Officer's Certificate**. An Officer's Certificate in form and substance reasonably satisfactory to the Master Trustee stating that, in the opinion of the signatory(ies), all conditions precedent, if any, to the issuance of such Obligations have been complied with and that the issuance of such Obligations is authorized or permitted by this Indenture.

(5) **Opinion of Counsel**. An Opinion of Counsel stating in effect (with such qualifications and assumptions as the Master Trustee may deem appropriate) that (i) such Obligations are legal, valid and binding obligations of the Obligated Group in accordance with their terms and are entitled to the benefit and security of this Indenture equally and proportionately with all other Obligations Outstanding under the Indenture, except as otherwise provided herein, (ii) the Indenture (as so supplemented) constitutes a legal, valid and binding obligation of the Obligated Group in accordance with its terms, (iii) all applicable conditions precedent, as set forth in the Indenture, regarding the issuance of such Obligations have been complied with and that the issuance of such Obligations is authorized or permitted by this Indenture, and (iv) the issuance of such Obligations complies with the registration requirements of the Securities Act of 1933, as amended, or that such registration is not required.

(b) Upon receipt of the documents required by the provisions of this Section to be furnished to it, the Master Trustee shall, unless it has cause to believe that any of the statements set out in such documents is incorrect, thereupon execute and deliver the Supplemental Indenture so presented and shall authenticate such Obligations and deliver the same upon written order executed by the Obligated Group Representative. Any Obligations issued pursuant to and in compliance with the terms of this Indenture shall be entitled to the benefit and protection of this Indenture equally and proportionately with all other Obligations issued hereunder, except as otherwise provided herein.

SECTION 4.4 Execution and Authentication

(a) The Obligations shall be executed on behalf of the Obligated Group Representative by an Authorized Officer of the Obligated Group Representative. The signature of the officers executing such Obligations may be manual or, to the extent permitted by law, facsimile.

(b) No Obligation shall be secured by, or be entitled to any Lien, right or benefit under, this Indenture or be valid or obligatory for any purpose, unless there appears on such Obligation a certificate of authentication substantially in the form provided for herein, executed by the Master Trustee by manual signature, and such certificate upon any Obligation shall be conclusive evidence, and the only evidence, that such Obligation has been duly authenticated and delivered hereunder.

ARTICLE 5

Registration, Exchange and General Provisions Regarding the Obligations

SECTION 5.1 Registration, Transfer and Exchange

(a) The Obligated Group shall cause to be kept at the Office of the Master Trustee a register (herein sometimes referred to as the "Register") in which, subject to such reasonable regulations as the Master Trustee may prescribe, the Obligated Group shall provide for the registration of Obligations and registration of transfers of Obligations entitled to be registered or transferred as herein provided. The Master Trustee is hereby appointed as agent of the Obligated Group for the purpose of registering Obligations and transfers of Obligations as herein provided.

(b) Upon surrender for registration of transfer of any Obligation at the Office of the Master Trustee, the Obligated Group Representative shall execute, and the Master Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Obligations of like tenor and amount.

(c) At the option of the Holder, Direct Debt Obligations may be exchanged for other Direct Debt Obligations of the same series and Maturity, of any Authorized Denominations and of a like aggregate principal amount, upon surrender of the Direct Debt Obligations to be exchanged at the Office of the Master Trustee. Whenever any Direct Debt Obligations are so surrendered for exchange, the Obligated Group Representative shall execute, and the Master Trustee shall authenticate and deliver, the Direct Debt Obligations which the Holder making the exchange is entitled to receive.

(d) All Obligations surrendered upon any exchange or registration of transfer provided for in this Indenture shall be promptly cancelled by the Master Trustee.

(e) All Obligations issued upon any registration of transfer or exchange of Obligations shall be the valid obligations of the Obligated Group and entitled to the same security and benefits under this Indenture as the Obligations surrendered upon such registration of transfer or exchange.

(f) Every Obligation presented or surrendered for transfer or exchange shall contain, or be accompanied by, all necessary endorsements for transfer.

(g) No service charge shall be made for any registration of transfer or exchange of Obligations, but the Obligated Group may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Obligations.

(h) The Obligated Group shall not be required (1) to register the transfer of or to exchange any Direct Debt Obligation during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Direct Debt Obligations and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Direct Debt Obligation so selected for redemption in whole or in part.

SECTION 5.2 Mutilated, Destroyed, Lost and Stolen Obligations

(a) If (1) any mutilated Obligation is surrendered to the Master Trustee, or the Obligated Group and the Master Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Obligation, and (2) there is delivered to the Obligated Group and the Master Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Obligated Group or the Master Trustee that such Obligation has been acquired by a bona fide purchaser, the Obligated Group shall execute and upon its request the Master Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Obligation, a new Obligation of like tenor and amount, bearing a number not contemporaneously outstanding. In case any such mutilated, destroyed, lost or stolen Obligation has become or is about to become due and payable, the Obligated Group in its discretion may, instead of issuing a new Obligation pursuant to this Section, pay such Obligation when due.

(b) Upon the issuance of any new Obligation under this Section, the Obligated Group may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

(c) Every new Obligation issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Obligation shall constitute an original additional contractual obligation of the Obligated Group, whether or not the mutilated, destroyed, lost or stolen Obligation shall be at any time enforceable by anyone, and shall be entitled to all the security and benefits of this Indenture equally and ratably with all other Outstanding Obligations.

(d) The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Obligations.

SECTION 5.3 Payment of Interest on Direct Debt Obligations; Interest Rights Preserved

(a) Interest on any Direct Debt Obligation which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Direct Debt Obligation is registered at the close of business on the Regular Record Date for such Interest Payment Date.

(b) Any interest on any Direct Debt Obligation which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Obligated Group to the persons in whose names such Direct Debt Obligations are registered at the close of business on a special record date (herein called a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Obligated Group Representative shall notify the Master Trustee of the amount of Defaulted Interest proposed to be paid on each Direct Debt Obligation and the date of the proposed payment (which date shall be such as will enable the Master Trustee to comply with the next sentence hereof), and at the same time the Obligated Group shall deposit with the Master Trustee an

amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Master Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subsection provided and not to be deemed part of the Trust Estate. Thereupon, the Master Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 calendar days prior to the date of the proposed payment and not less than 10 calendar days after the receipt by the Master Trustee of the notice of the proposed payment. The Master Trustee shall promptly notify the Obligated Group Representative of such Special Record Date and, in the name and at the expense of the Obligated Group, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of a Direct Debt Obligation at his address as it appears in the Register not less than 10 calendar days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Direct Debt Obligations are registered on such Special Record Date.

(c) Subject to the foregoing provisions of this Section, each Direct Debt Obligation delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Direct Debt Obligation shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Direct Debt Obligation and each such Direct Debt Obligation shall bear interest from such date that neither gain nor loss in interest shall result from such registration of transfer, exchange or substitution.

SECTION 5.4 Persons Deemed Owners

The Obligated Group and the Master Trustee may treat the Holder of any Obligation as the owner of such Obligation for the purpose of receiving payment on such Obligation and for all other purposes whatsoever, whether or not such Obligation is overdue, and, to the extent permitted by law, neither the Obligated Group nor the Master Trustee shall be affected by notice to the contrary.

SECTION 5.5 Master Trustee as Paying Agent

Except as otherwise provided herein, all Obligations shall be payable at the Office of the Master Trustee. The Master Trustee is hereby appointed agent of the Obligated Group for the purpose of making payment on the Obligations.

SECTION 5.6 Payments Due on Non-Business Days

If any payment on the Obligations is due on a day which is not a Business Day, such payment may be made on the first succeeding day which is a Business Day with the same effect as if made on the day such payment was due.

SECTION 5.7 Cancellation

All Obligations surrendered for payment, redemption, registration of transfer or exchange, shall be promptly cancelled by the Master Trustee. The Master Trustee may destroy cancelled certificates and shall maintain a record of all such destroyed certificates. No Obligation shall be authenticated in lieu of or in exchange for any Obligation cancelled as provided in this Section, except as expressly provided by this Indenture.

SECTION 5.8 Book-Entry Only Obligations

The provisions of any Supplemental Indenture authorizing any series of Direct Debt Obligations may provide that such Obligations shall be issued pursuant to the Book-Entry System.

ARTICLE 6

General Provisions Regarding Redemption of Direct Debt Obligations

SECTION 6.1 Specific Redemption Provisions

The terms of the related Supplemental Indenture authorizing any series of Direct Debt Obligations shall specify the specific redemption provisions with respect to such series.

SECTION 6.2 Mandatory Redemption

Direct Debt Obligations shall be redeemed in accordance with the applicable mandatory redemption provisions set forth in the Supplemental Indenture for such Obligations without any direction from or consent by the Obligated Group. Unless the date fixed for such mandatory redemption is otherwise specified by this Indenture, the Master Trustee shall select the date for mandatory redemption, subject to the provisions of this Indenture with respect to the permitted period for such redemption.

SECTION 6.3 Election to Redeem

The election of the Obligated Group to exercise any right of optional redemption shall be evidenced by notice to the Master Trustee from the Obligated Group Representative. The notice of election to redeem must be received by the Master Trustee at least 35 days prior to the date fixed for redemption (unless a shorter notice is acceptable to the Master Trustee) and shall specify (a) the principal amount of each series and maturity of Direct Debt Obligations to be redeemed (if less than all Direct Debt Obligations Outstanding are to be redeemed pursuant to such option), (b) the redemption date, subject to the provisions of this Indenture with respect to the permitted period for such redemption and (c) if the redemption is conditional, the conditions upon which it is to be effective.

SECTION 6.4 Selection by Master Trustee of Direct Debt Obligations to be Redeemed

(a) Except as otherwise provided in the specific redemption provisions for the Direct Debt Obligations, and except as permitted by ***Section 12.2(c)***, if less than all Direct Debt Obligations Outstanding are to be redeemed, the principal amount of Direct Debt Obligations of each series and Maturity to be redeemed may be specified by the Obligated Group by notice delivered to the Master Trustee not less than 30 days before the date fixed for redemption (unless a shorter notice is acceptable to the Master Trustee), or, in the absence of timely receipt by the Master Trustee of such notice, shall be selected by the Master Trustee in the inverse order of Maturity and by lot within a Maturity or by such other method as the Master Trustee shall deem fair and appropriate; provided, however, that the principal amount of Direct Debt Obligations of each Maturity to be redeemed may not be larger than the principal amount of Direct Debt Obligations of such Maturity then eligible for redemption and may not be smaller than the smallest Authorized Denomination.

(b) Except as otherwise provided in the specific redemption provisions for the Direct Debt Obligations, if less than all Direct Debt Obligations with the same series and Maturity are to be redeemed, the particular Direct Debt Obligations of such series and Maturity to be redeemed shall be selected by the Master Trustee not less than 30 nor more than 60 days prior to the redemption date from the Outstanding Direct Debt Obligations of such series and Maturity then eligible for redemption by lot or by such other

method as the Master Trustee shall deem fair and appropriate or in accordance with the applicable procedures of the Book-Entry System, if in effect with respect to such Direct Debt Obligations, and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Direct Debt Obligations of such Maturity of a denomination larger than the smallest Authorized Denomination.

(c) The Master Trustee shall promptly notify the Obligated Group of the Direct Debt Obligations selected for redemption and, in the case of any Direct Debt Obligation selected for partial redemption, the principal amount thereof to be redeemed.

(d) For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Direct Debt Obligations shall relate, in the case of any Direct Debt Obligation redeemed or to be redeemed only in part, to the portion of the principal of such Direct Debt Obligation which has been or is to be redeemed.

SECTION 6.5 Notice of Redemption

(a) Unless waived by the Holders of all Direct Debt Obligations then Outstanding to be redeemed, notice of redemption shall be given by registered or certified mail, mailed not less than 30 nor more than 60 days prior to the redemption date, to each Holder of Direct Debt Obligations to be redeemed, at his address appearing in the Register.

(b) All notices of redemption shall state:

(1) the redemption date,

(2) the redemption price,

(3) the principal amount of Direct Debt Obligations to be redeemed, and, if less than all Outstanding Direct Debt Obligations are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Direct Debt Obligations to be redeemed,

(4) that on the redemption date the redemption price of each of the Direct Debt Obligations to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date,

(5) the place or places where the Direct Debt Obligations to be redeemed are to be surrendered for payment of the redemption price, and

(6) any conditions that must be satisfied prior to the redemption of such Direct Debt Obligations.

(c) Notice of redemption of Direct Debt Obligations to be redeemed at the option of the Obligated Group shall be given by the Obligated Group or, at the Obligated Group's request, by the Master Trustee, upon receipt by the Master Trustee of such a request containing the information required by ***Section 6.5(b)***, in the name and at the expense of the Obligated Group. Notice of redemption of Direct Debt Obligations in accordance with the mandatory redemption provisions of the Direct Debt Obligations shall be given by the Master Trustee in the name and at the expense of the Obligated Group.

(d) A notice of optional redemption may state that the redemption of Direct Debt Obligations is contingent upon specified conditions, such as receipt of a specified source of funds, or the occurrence of specified events. If the conditions for such redemption are not met, the Obligated Group Representative shall provide prompt notice of such to the Master Trustee, the Obligated Group shall not be required to redeem the Direct Debt Obligations (or portions thereof) identified in such notice, and, at the written instruction of the Obligated Group Representative to the Master Trustee, any Direct Debt Obligations surrendered on the specified redemption date shall be returned to the Holders of such Direct Debt Obligations.

SECTION 6.6 Deposit of Redemption Price

On or before 11:00 a.m. on the applicable redemption date, an amount of money sufficient to pay the redemption price of all the Direct Debt Obligations which are to be redeemed on that date shall be deposited with the Master Trustee unless the notice of redemption specified contingencies that were not met on the redemption date. Such money shall be held in trust for the benefit of the persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

SECTION 6.7 Direct Debt Obligations Payable on Redemption Date

(a) Notice of redemption having been given as aforesaid, the Direct Debt Obligations to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the Obligated Group shall default in the payment of the redemption price) such Direct Debt Obligations shall cease to bear interest. Upon surrender of any such Direct Debt Obligation for redemption in accordance with said notice such Direct Debt Obligation shall be paid by the Obligated Group at the redemption price. Installments of interest due on or prior to the redemption date shall be payable to the Holders of the Direct Debt Obligations registered as such on the relevant Record Dates according to the terms of such Direct Debt Obligations.

(b) Unless the conditions, if any, set forth in the relevant redemption notice are not satisfied, if any Direct Debt Obligation called for redemption shall not be paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the redemption date at the Post-Default Rate. If any conditions set forth in a redemption notice are not satisfied, the Obligated Group or, at the Obligated Group's request, the Master Trustee shall provide notice to the Holders of the Obligations conditionally called for redemption of the failure to satisfy such conditions, such redemption shall be cancelled, and such Obligations shall remain Outstanding.

SECTION 6.8 Direct Debt Obligations Redeemed in Part

Unless otherwise provided herein, any Direct Debt Obligation which is to be redeemed only in part shall be surrendered at the Office of the Master Trustee with all necessary endorsements for transfer, and the Obligated Group shall execute and the Master Trustee shall authenticate and deliver to the Holder of such Direct Debt Obligation, without service charge, a new Direct Debt Obligation or Direct Debt Obligations of the same series and Maturity and of any Authorized Denomination or Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Direct Debt Obligation surrendered.

ARTICLE 7

Funds for Payment or Security of Obligations

SECTION 7.1 Funds for Payment or Security of Specified Obligations

Any Supplemental Indenture may establish a debt service fund, a reserve fund, or any similar fund for the payment or security of specified Obligations, and such fund may be held by the Master Trustee under the terms of such Supplemental Indenture; provided, however, that the establishment of any such fund must comply with the provisions of ***Section 8.10*** of this Indenture with respect to the creation of Liens or encumbrances on property of the Obligated Group that are not for the benefit of all Obligations issued under this Indenture. Any such fund shall be for the sole security and benefit of the specified Obligations.

SECTION 7.2 Funds for Payment or Security of All Obligations

Any Supplemental Indenture may establish a fund for the payment or security of all Obligations issued under this Indenture, and such fund may be held by the Master Trustee under the terms of such Supplemental Indenture. The establishment of any such fund need not comply with the provisions of ***Section 8.10***.

ARTICLE 8

Representations and Covenants

SECTION 8.1 General Representations

Each Member makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(a) Under the provisions of applicable law and its certificate of incorporation, it has the power to consummate the transactions contemplated by the Obligation Documents.

(b) The Obligation Documents constitute legal, valid and binding obligations of such Member and are enforceable against it in accordance with the terms of such instruments, except as enforcement thereof may be limited by (1) bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights and (2) general principles of equity, including the exercise of judicial discretion in appropriate cases.

SECTION 8.2 No Encumbrance on Trust Estate

The Obligated Group will not create or permit the creation of any pledge, Lien, charge or encumbrance of any kind on the Trust Estate or any part thereof prior to or on a parity of Lien with this Indenture, other than as permitted by this ***Article 8***.

SECTION 8.3 Payment of Obligations

(a) The Obligated Group will duly and punctually pay, or cause to be paid, all amounts due on the Obligations as and when the same shall become due, all in accordance with the terms of the Obligations and this Indenture.

(b) The Obligated Group will not extend or consent to the extension of the time for payment of amounts due on any Obligation, unless such extension is consented to by the Holder of the Obligation affected.

(c) Each Member of the Obligated Group covenants that it shall cause its Restricted Affiliates to pay such amounts as are necessary to pay the principal, premium, if any, or interest or any other amount due in payment of any Obligation or Related Debt when due, provided that any liability of a Restricted Affiliate with respect to any Obligation in excess of its liability in proportion to the portion of the proceeds thereof received by or otherwise applied for the benefit of such Restricted Affiliate shall be limited to the maximum amount that would not (i) cause such liability to be avoidable as a fraudulent transfer or fraudulent conveyance under applicable bankruptcy, insolvency or similar laws, or (ii) cause such Restricted Affiliate, in making any payment with respect to such liability, to be in violation of any law (including, without limitation, the applicable corporation or not-for-profit laws of the state of its incorporation and any state in which such Restricted Affiliate is registered as a foreign corporation) restricting the purpose for which its assets may be used.

SECTION 8.4 Covenants Regarding Corporate Existence, Properties and Operations

Each member of the Obligated Group covenants and agrees that it will:

(a) except as provided in ***Section 8.6***, preserve its corporate existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of property or the conduct of its business requires such qualification; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or useful in the conduct of its business;

(b) at all times cause its properties used or useful in the conduct of its business to be maintained, preserved and kept in good condition, repair and working order and cause to be made all needful and proper repairs, renewals and replacements thereof; provided, however, that nothing herein contained shall be construed (i) to prevent it from ceasing to operate any portion of its properties, if in the judgment of its governing body it is advisable not to operate the same for the time being, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such a 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 useful in the conduct of its business;

(c) conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its properties; provided, however, that nothing herein contained 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 shall be contested in good faith by appropriate proceedings;

(d) promptly pay all lawful taxes, assessments or other governmental charges or levies at any time levied or assessed upon or against it or its properties; provided, however, that it shall have the right to contest in good faith by appropriate proceedings any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof;

(e) promptly pay or otherwise satisfy and discharge all obligations, indebtedness, demands and claims as and when the same become due and payable, other than any thereof whose validity, amount or collectability is being contested in good faith by appropriate proceedings;

(f) at all times comply with all terms, covenants and provisions contained in any mortgages or instruments evidencing any Liens at any time existing upon its properties or any part thereof securing any indebtedness incurred or assumed by it and pay or cause to be paid, or to be renewed, refunded or extended or to be taken up, by it, all bonds, notes or other evidences of indebtedness secured by any such mortgage or other Lien, as and when the same shall become due and payable;

(g) procure and maintain all necessary licenses and permits and, unless it shall in good faith determine that it is not in its best interest and not in the best interest of the Holders, maintain (i) accreditation of its health care facilities (other than those not presently accredited) by The Joint Commission on Accreditation of Healthcare Organizations or other applicable recognized accrediting body; *provided, however*, that it need not comply with this Section 8.4(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 debt when due and (ii) the status of its health care facilities as a provider of health care services eligible for reimbursement under Medicare, Medicaid, Blue Cross and similar insurance programs; and

(h) maintain insurance (including self-insurance or self-insurance pools or trusts, if deemed prudent under the circumstances by an Insurance Consultant) covering such risks and in such amounts as, in its judgment, is adequate to protect it and its properties and operations.

SECTION 8.5 Advances by Master Trustee

If the Obligated Group shall fail to perform any of its covenants in this Indenture, upon the instruction of the Holders of no less than a majority of the principal amount of Debt Obligations Outstanding and upon provision to the Master Trustee of security or indemnity reasonably satisfactory to the Master Trustee, the Master Trustee shall, subject to ***Section 10.1(c)(4)*** hereof, make advances to effect performance of any such covenant on behalf of the Obligated Group. Any money so advanced by the Master Trustee, together with interest at the Post-Default Rate, shall be repaid upon demand and such advances shall be secured under this Indenture prior to the Obligations.

SECTION 8.6 Corporate Existence; Merger, Consolidation, Etc.

(a) Except as permitted by this Section, each Member will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

(b) A Member may consolidate with or merge into any other corporation or transfer its property substantially as an entirety to another person if the corporation formed by such consolidation or into which such Member is merged or the person which acquires by conveyance or transfer the Member's property substantially as an entirety (the "Successor") shall execute and deliver to the Master Trustee an instrument in form recordable and acceptable to the Master Trustee containing an assumption by such Successor of the due and punctual payment of all amounts due on the Obligations and the performance and observance of every covenant and condition of the Obligation Documents to be performed or observed by the Obligated Group.

(c) Upon any consolidation or merger or any conveyance or transfer of a Member's property substantially as an entirety in accordance with this Section, the Successor shall succeed to, and be substituted for, and may exercise every right and power of, such Member under this Indenture with the same effect as if such Successor had been named as such Member herein. Upon the consummation of such transaction, such Member shall be released from all liability under this Indenture.

(d) Nothing contained in this Section shall be construed to restrict or prohibit a change in control or ownership of a Member of the Obligated Group.

SECTION 8.7 Debt Service Coverage Ratio

(a) The Obligated Group shall (and shall cause each Restricted Affiliate to) set rates and charges for its facilities, services and products such that the Debt Service Coverage Ratio, calculated for each Fiscal Year, will not be less than 1.10.

(b) If at any time the Debt Service Coverage Ratio required by clause (a) hereof, as derived from the Audited Financial Statements for the most recently concluded Fiscal Year for which those statements are available, is not met, the Obligated Group agrees to retain an independent Consultant to make recommendations to increase the Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the independent Consultant the attainment of that level is impracticable, to the highest level attainable. Any independent Consultant so retained shall be required to submit recommendations within ninety (90) days after being retained. Each Member of the Obligated Group agrees that it will (and shall cause each Restricted Affiliate to), to the extent permitted by law, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each member of the Combined Group shall follow the Consultant's recommendations to the extent permitted by law, the Obligated Group shall be deemed to be in compliance with this Section even if the Debt Service Coverage Ratio for the following Fiscal Year is below the required level, provided that the revenues and the amount of the Unrestricted Cash and Investments shall be sufficient to pay, when due, the Operating Expenses of the Combined Group and the debt service on all Debt of the Combined Group for the Fiscal Year. The Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this subsection (b) more frequently than biennially.

(c) If a report of a Consultant is delivered to the Master Trustee to the effect that applicable laws and governmental regulations have been imposed which make it impossible for the coverage requirement in clause (a) to be met, then the coverage requirement shall be reduced to the maximum coverage permitted by applicable laws and governmental regulations but in no event less than 1.00. Thereafter, for so long as those applicable laws and governmental regulations are in effect, a report of a Consultant stating that those applicable laws and governmental regulations make it impossible for the coverage requirement in clause (a) to be met shall be delivered to the Master Trustee biennially. Notwithstanding the foregoing, it shall be an Event of Default under ***Section 8.7(a)*** and ***Section 9.1*** hereof if for any two consecutive Fiscal Years the Debt Service Coverage Ratio is less than 1.00.

SECTION 8.8 Provisions Concerning Determination of Debt Service Requirement

The following provisions shall govern the calculation of the Debt Service Requirements on Debt.

(a) Balloon Debt. The Debt Service Requirement on Balloon Long-Term Debt for each Fiscal Year, including any Fiscal Year in which 25% or more of the principal amount of the Balloon Long-Term Debt is due (a "balloon payment year", with the principal amount payable in any balloon payment year being referred to as a "balloon payment"), may be determined in accordance with the

repayment terms of the Balloon Long-Term Debt or as otherwise permitted in subparagraphs (i), (ii) or (iii) below:

(i) The Debt Service Requirement on the balloon payment or portion thereof may be deemed equal to the estimated Debt Service Requirements on an equal amount of Long-Term Debt (other than Balloon Debt) payable on such basis as determined by the Obligated Group Representative in a certificate delivered to the Master Trustee, over a term not to exceed thirty (30) years from the date of such calculation, at the Bond Index.

(ii) Determinations of the Debt Service Requirements on Balloon Debt may be based on the terms of a Credit Facility under which funds are available for the payment of all or a portion of a balloon payment. If the Credit Facility is scheduled to expire prior to the date the balloon payment is due and is not renewed or replaced prior to the scheduled expiration date, the Related Financing Documents shall require the amount available under the Credit Facility to be drawn down prior to its expiration and immediately applied to the payment of the balloon payment. If that condition is met, or if the Credit Facility is scheduled to expire after the balloon payment is due, the Debt Service Requirements on the Balloon Long-Term Debt may be calculated as follows: (A) it shall be assumed that the funds available under the Credit Facility are drawn down on a date (the "assumed drawdown date") which is the earlier of the first day of the balloon payment year in respect of which the Credit Facility is issued or the expiration date of the Credit Facility; (B) the Debt Service Requirements on the Balloon Long-Term Debt for each Fiscal Year (or portion thereof) prior to the assumed drawdown date shall be the actual Debt Service Requirements thereon for such period; and (C) the Debt Service Requirements on the Balloon Long-Term Debt for each Fiscal Year (or portion thereof) after the assumed drawdown date shall be deemed equal to the sum of the principal and interest payable during such period pursuant to the Credit Facility and the actual Debt Service Requirements payable during such period in respect of any portion of the Balloon Long-Term Debt for which funds are not available under the Credit Facility.

(iii) Determination of Debt Service Requirement on Balloon Long-Term Debt may be based upon an established sinking fund for the payment of all or a portion of any balloon payment to become due in respect of the Balloon Long-Term Debt, which sinking fund may be held by the holders of the Balloon Long-Term Debt (or a trustee or paying agent acting on their behalf) or may be held by a Member separate and apart from all other funds of such Member. For the purposes of determining the Debt Service Requirements on the Balloon Long-Term Debt, the Obligated Group Representative shall deliver to the Master Trustee a schedule of deposits to be made into the sinking fund for the purpose of paying all or a portion of the balloon payment, together with a resolution of the Governing Body of the applicable member of the Combined Group approving the establishment of the sinking fund and the schedule of deposits to be made therein. The balloon payment (or portion thereof for which the sinking fund is established) shall be deemed payable in accordance with the schedule of deposits, except that any deposit (or portion thereof) which is not made when due shall (until made) be deemed payable in the balloon payment year. All other Debt Service Requirements on the Balloon Long-Term Debt shall be determined in accordance with the repayment terms of such Debt.

Debt containing a "put" or "tender" provision pursuant to which the holder of such Debt may require that such Debt be purchased prior to its maturity shall not be considered Balloon Long-Term Debt, 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 Section 8.9.

(b) Demand Debt. For the purposes of determining the Debt Service Requirements in any Fiscal Year on any Demand Debt, the Debt Service Requirements shall be calculated (i) assuming none of such Demand Debt is tendered, (ii) during the period commencing on the date of issuance through the first date when the holder has the right or option to tender such Demand Debt for payment prior to the stated maturity date (the "Put Date"), using the actual debt service payable on such Demand Debt, where such Demand Debt bears interest at a variable rate, calculating interest on such Demand Debt pursuant to subsection 8.8(c), and (iii) after the Put Date, assuming level debt service over the period commencing on the Put Date and ending on the date that is 30 years after the date of issuance of such Demand Debt using the Bond Index.

(c) Variable Rate Debt. For the purpose of determining the Debt Service Requirements on any Variable Rate Debt, the interest shall be calculated as follows:

(i) Any Variable Rate Debt that has been outstanding less than twelve (12) months shall be deemed to bear interest at the Bond Index as determined by the Obligated Group Representative.

(ii) Any Variable Rate Debt that has been outstanding for at least twelve (12) months, shall be deemed to bear interest at a rate equal to the weighted average rate for the twelve (12) month period ending on the date of calculation or on the latest practicable date prior to such calculation.

(iii) If a member of the Combined Group has entered into an interest rate hedge with respect to the Variable Rate Debt, under which the member makes fixed rate payments in exchange for a counterparty making variable rate payments, the Variable Rate Debt shall be assumed to bear interest at the fixed rate of interest simulated by the hedge arrangement, in lieu of the rate determined under subparagraph 8.8(c)(i) or 8.8(c)(ii).

(d) Derivative Obligations. The obligations of a member of the Combined Group to make payment under a Hedge Agreement shall not constitute Debt. Except as provided for in Section 8.8(c)(iii) above, if any member of the Combined Group has entered into a Hedge Agreement for the purpose of hedging or modifying the interest cost on Debt, then during the term of the Hedge Agreement and so long as the provider under the Hedge Agreement is not in default, net amounts owed by such member shall be included in the calculation of Debt Service Requirements or as a credit thereto if such net amounts are due to the member, exclusive of any amounts due upon early termination of a Derivative Agreement. For purposes of this Section 8.8(d), net cashflows under a Hedge Agreement shall be calculated as detailed in such Hedge Agreement, assuming (i) any amounts calculated on the basis of a fixed rate must utilize the fixed rate stated in such Hedge Agreement, and (ii) any amounts calculated on the basis of a variable rate of interest must be calculated as provided for in Section 8.8(c)(i) or 8.8(c)(ii), as applicable.

(e) Guaranties. When calculating the principal and the Debt Service Requirements attributable to a Guaranty, including the Debt Service Requirements of any Obligation issued to evidence or secure a Guaranty:

(i) The principal amount of such Debt shall be deemed to be

(A) 0% of the principal amount of the guaranteed obligation, if a member of the Combined Group has not been called upon to make a payment under the Guaranty within the twelve (12) months immediately preceding the

date of the calculation, and the primary obligor's income available for debt service (calculated in the same manner as Income Available for Debt Service) for the period of calculation was or is projected or forecasted to be at least equal to 200% of the maximum annual debt service requirements of the primary obligor (calculated in the same manner as Maximum Annual Debt Service Requirements); or

(B) 20% of the principal amount of the guaranteed obligation, if a member of the Combined Group has not been called upon to make a payment under the Guaranty within the twelve (12) months immediately preceding the date of the calculation, and the primary obligor's income available for debt service (calculated in the same manner as Income Available for Debt Service) for the period of calculation was or is projected or forecasted to be less than 200% of the maximum annual debt service requirements of the primary obligor (calculated in the same manner as Maximum Annual Debt Service Requirements); provided, that if there shall have occurred a payment by any member of the Combined Group on such Guaranty, then during the period commencing on the date of such payment and ending on the day that is one year after such other Person resumes making all payments on such guaranteed obligation, 100% of the principal on such guaranteed Debt during the period for which the computation is being made shall be taken into account.

(ii) The Debt Service Requirements on such Debt shall be deemed to be:

(A) 0% of the debt service requirements (calculated in the same manner as Debt Service Requirements) on the guaranteed obligation, if a member of the Combined Group has not been called upon to make a payment under the Guaranty within the twelve (12) months immediately preceding the date of the calculation, and the primary obligor's income available for debt service (calculated in the same manner as Income Available for Debt Service) for the period of calculation was or is projected or forecasted to be at least equal to 200% of the maximum annual debt service requirements of the primary obligor (calculated in the same manner as Maximum Annual Debt Service Requirements); or

(B) 20% of the debt service requirements (calculated in the same manner as Debt Service Requirements) on the guaranteed obligation, if a member of the Combined Group has not been called upon to make a payment under the Guaranty within the twelve (12) months immediately preceding the date of the calculation, and the primary obligor's income available for debt service (calculated in the same manner as Income Available for Debt Service) for the period of calculation was or is projected or forecasted to be less than 200% of the maximum annual debt service requirements of the primary obligor (calculated in the same manner as Maximum Annual Debt Service Requirements); provided, that if there shall have occurred a payment by any member of the Combined Group on such Guaranty, then during the period commencing on the date of such payment and ending on the day that 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 Debt during the period for which the computation is being made shall be taken into account.

(f) Permitted Debt Amortization. At the time of computation, the Obligated Group Representative may compute the Debt Service Requirements for Long-Term Debt (inclusive of Guaranties and capital leases) for any period as described below:

(i) In the case of any Long-Term Debt, the amount of principal and interest payable during a Fiscal Year on such Long-Term Debt on a historical basis shall be determined assuming (A) that the principal balance of such Long-Term Debt (after adjustment of Guaranties as provided in Section 8.8(e)(i)) for such Fiscal Year was refinanced at the beginning of such Fiscal Year, (B) that such principal balance will be payable over a term of thirty (30) years commencing as of the beginning of such Fiscal Year, (C) that such principal balance bears interest at the Bond Index, and (D) the debt service on such Long-Term Debt is payable in equal annual installments sufficient to pay both principal and interest over such term of 30 years;

(ii) In the case of any Long-Term Debt, the amount of principal and interest payable during each Fiscal Year on such Long-Term Debt in periods after the date of determination shall be projected assuming (A) that the principal balance of such Long-Term Debt (after adjustment of Guaranties as provided in paragraph (iii)) on the date of determination will be refinanced, (B) that such principal balance will be payable over a term of thirty (30) years from the date of determination, (C) that such principal balance will bear interest at the Bond Index, and (D) the debt service on such Long-Term Debt will be payable in equal annual installments sufficient to pay both principal and interest over such term of 30 years; and

(iii) In the case of any Guaranty, the principal of (and premium, if any) and interest and other debt service charges on the debt that is guaranteed for the period of time for which Debt Service Requirements are calculated shall be weighted in the calculation of debt amortization requirements as provided in Section 8.8(e) with respected to such Guaranty.

(g) Capital Leases. The principal amount of Debt in the form of a "capital lease" (defined below) shall be deemed to be the amount, as of the date of determination, at which the aggregate "net rentals" (defined below) due and to become due under such capital lease would be reflected as a liability on the balance sheet of the lessee, and the Debt Service Requirements on a capital lease for the period of time for which calculated shall be deemed to be the aggregate amount of net rentals to be payable under such capital lease during such period. "Capital lease" means any lease of real or personal Property that is capitalized on the balance sheet of the lessee under generally accepted accounting principles. "Net rentals" means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under such lease excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net rentals for any future period under any so-called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

(h) Provisions Not Mutually Exclusive. The provisions of this Section 8.8 are not and shall not be deemed to be mutually exclusive. If two or more of the foregoing provisions are applicable to any particular Long-Term Debt, each such provision shall be applied, as and to the extent

appropriate. The foregoing shall also apply to any calculation of the Debt Service Requirement on any Debt of a similar nature which is guaranteed by a Member.

(i) Debt Not to be Counted More Than Once. When more than one obligation or instrument evidences the same Debt, that Debt shall not be counted more than once. By way of illustration and not limitation of that rule, a Member may be obligated to pay the same Debt under a lease or loan agreement for Related Bonds, an Obligation issued under a Supplemental Indenture, and a reimbursement obligation under a Credit Facility for the Related Bonds; only the Obligation shall be counted as Debt.

SECTION 8.9 Restrictions on Debts and Guaranties

Prohibition Against Debt Other Than Permitted Debt. Members of the Obligated Group will not incur, or otherwise become liable in respect of, any Debt other than Debt related to the Initial Obligations and any other Debt existing on the date of delivery of this Indenture, and Debt that meets the requirements of one or more of the following paragraphs (each such Debt being referred to as a "Permitted Debt"):

(a) A Member may incur Debt upon providing a certificate as described under either subparagraph (i), (ii) or (iii) below:

(i) a certificate of the Obligated Group Representative demonstrating and concluding that, for the most recent Fiscal Year preceding the incurrence of the Debt for which Audited Financial Statements are available, the Debt Service Coverage Ratio was at least equal to 1.20 (adjusted to reflect any Debt incurred or retired after the end of that most recent Fiscal Year, and giving effect to the proposed Debt and excluding any Debt to be refunded thereby as if such proposed Debt had been incurred at the beginning of that prior Fiscal Year); or

(ii) an Officer's Certificate demonstrating and concluding that, for the most recent Fiscal Year preceding the incurrence of the Debt for which Audited Financial Statements are available, the sum of the proposed additional Debt and the total Debt of the Combined Group outstanding on the last day of that Fiscal Year (adjusted to reflect any Debt incurred or retired after the end of that most recent Fiscal Year, giving effect to the proposed Debt and excluding any Debt to be refunded thereby as if the additional Debt had been incurred at the beginning of that prior Fiscal Year), would not exceed 66 2/3% of Capitalization; or

(iii) (a) an Officer's Certificate demonstrating and concluding that, for the most recent Fiscal Year preceding the incurrence of the Debt for which Audited Financial Statements are available, the Debt Service Coverage Ratio was not less than 1.10, and (b) either a certificate of the Obligated Group Representative or a written report of an independent Consultant, demonstrating and concluding that the forecasted average Debt Service Coverage Ratio for the two Fiscal Years commencing after the incurrence of the proposed Debt would be not less than 1.25 if addressed by an Officer's Certificate of the Obligated Group Representative or 1.10 if addressed by the written report of an Independent Consultant.

If the Obligated Group shall deliver to the Master Trustee a report of an independent Consultant expressing the opinion (accompanied by the Opinion of independent Counsel as to any conclusion of law supporting such opinion) that applicable laws or governmental regulations have

prevented or will prevent the Obligated Group from complying with the Debt Service Coverage Ratios specified in ***Sections 8.9(a)(i)*** or ***8.9(a)(iii)*** and that the Obligated Group has implemented, or is in the process of implementing with reasonable diligence, to the extent feasible and lawful, the recommendations (if any) made by such independent Consultant pursuant to ***Section 8.7*** hereof, then the Debt Service Coverage Ratios referred to in ***Sections 8.9(a)(i)*** or ***8.9(a)(iii))*** need only be equal to or greater than 100%.

(b) If the Long-Term Debt is of a type and in an amount within any limitation described in subparagraphs (i), (ii), (iii) or (iv) of this subsection (b), that Long-Term Debt may be incurred without receipt by the Master Trustee of any certificate or report described under subsection (a) above, but only if and to the extent that:

(i) the Master Trustee receives an Officer's Certificate demonstrating and concluding that the sum of the principal amount of the Long-Term Debt to be incurred and the outstanding principal amount of any Long-Term Debt incurred by any Member pursuant to this clause (b)(i) since the last "report date" will not exceed 10% of the Total Revenues for the Fiscal Year immediately preceding the incurrence in question. For the purposes of the foregoing, the term "report date" shall mean the date on which an Officer's Certificate is delivered in connection with the incurrence of Long-Term Debt pursuant to subsection (a) above, a merger, consolidation, sale or conveyance pursuant to **Section 8.6**, the inclusion of a new Member pursuant to **Section 13.3**, or the designation of a new Restricted Affiliate pursuant to **Section 8.17**, provided that if no such Officer's Certificate or other certificate has been delivered, the term "report date" shall be deemed to mean the Ocotber 1, 2019, and, provided further, that any certificate or report, or combination thereof, described under subsection (a) above, may be delivered to the Master Trustee from time to time for the purpose and with the effect of establishing a "report date" as of the date of that delivery; or

(ii) the Long-Term Debt is to be incurred for the purpose of refunding any Outstanding Long-Term Debt, in which event, prior to the incurrence of that Long-Term Debt, the Master Trustee shall receive (a) an Officer's Certificate demonstrating that Maximum Annual Debt Service Requirement will not increase by more than 15% after the incurrence of such proposed refunding Long-Term Debt 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 Debt and application of the proceeds thereof, the Outstanding Long-Term Debt to be refunded thereby will no longer be Outstanding; or

(iii) the Long-Term Debt to be incurred is Cross-over Refunding Debt, in which event, prior to the incurrence of that Long-Term Debt, the Master Trustee shall receive an Officer's Certificate stating that the total Maximum Annual Debt Service Requirements on the proposed Cross-over Refunding Debt and the related Cross-over Refunded Debt, immediately after the issuance of the proposed Cross over Refunding Debt, will not exceed the Maximum Annual Debt Service Requirement on the Cross-over Refunded Debt alone, immediately prior to the issuance of the Cross-over Refunding Debt, by more than 15% taking into account the creation and effect of any Qualified Escrows created from the proceeds of the Cross-over Refunding Debt; or

(iv) the Long-Term Debt is Completion Indebtedness, in which case, prior to its incurrence, the Master Trustee shall receive (a) a certificate of an architect estimating the costs of completing the facilities for which the Completion Debt is to be incurred; and (b) an Officer's Certificate, certifying that the amount of Completion Debt to be incurred will be sufficient, together with any other funds, to complete construction of the facilities in respect of which the Completion Debt is to be incurred.

(c) If Long-Term Debt supported by a Credit Facility is secured as permitted by this Section 8.9, the Member may grant a Lien in favor of the issuer of the Credit Facility that is equal in rank and priority with the Lien granted to secure the Long-Term Debt.

(d) Short-Term Debt may be incurred subject to the limitation that the aggregate of all Short-Term Debt shall not at any time exceed 25% of Total Revenues as reflected in the Audited Financial Statements for the most recent period of twelve consecutive months for which Audited Financial Statements are available.

Short-Term Debt may be secured by liens on accounts receivable; provided that the amount of Short-Term Debt so secured shall not exceed 80% of the aggregate amount of the accounts receivable upon which Liens are placed to provide that security.

(e) Subordinated Debt and Non-Recourse Debt may be incurred without limitation as to principal amount and shall not be required to comply with the requirements of Section 8.9(a) or 8.9(b) in connection with such incurrence. Any Subordinated Debt may be secured by Liens, provided that a Lien of superior rank and priority shall be granted in favor of all Long-Term Debt (except for other Subordinated Debt) then or thereafter to be outstanding. Non-Recourse Debt may be secured by Liens on: (i) any Property acquired or improved with the proceeds of the Non-Recourse Debt and any improvements to such Property; (ii) revenues derived from the ownership or operation of the Property described in clause (i); and (iii) restricted gifts, grants and other similar contributions, pledges of the foregoing and income derived from the investment thereof.

(f) Guaranties may be provided, if the conditions for the incurrence of Debt set forth in this Section are satisfied where it is assumed that the obligation guaranteed by such Member or Restricted Affiliate is Debt of such Member, and any calculation required by the applicable subsection of this Section is made in accordance with the requirements and assumptions contained in Section 8.8(e) or 8.8(f).

(g) Debt may be incurred or assumed in connection with a gift, bequest or devise of Property, if (i) the principal amount of such Debt does not exceed the then current value of such entity's interest in such Property, and (ii) such Debt is only secured by such gift, bequest or devise of Property.

(h) Subject to the limitations set forth in subsection (d) above, Debt in connection with a pledge of accounts receivable may be incurred, with or without recourse, or a sale of accounts receivable consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, if the principal amount of such Debt does not (i) with respect to a pledge of accounts receivable, exceed the book value of such accounts receivable, or (ii) with respect to a sale of accounts receivable, exceed the aggregate sale price of such accounts receivable received by such member of the Combined Group.

(i) Commercial Paper Debt may be incurred if, immediately after the issuance of such Commercial Paper Debt, the total principal amount of Outstanding Commercial Paper Debt of the Combined Group under this subsection and any Short-Term Debt incurred under subsection (d) above, will not exceed 25% of Total Revenues for the most recent Fiscal Year for which Audited Financial Statements are available.

(j) Debt may be classified and incurred under any of the above referenced subsections with respect to which the tests set forth in such subsections are met. Debt that was classified and issued pursuant to one subsection may be reclassified as having been incurred under another subsection, by demonstrating compliance with such other subsection on the assumption that such Debt is being reissued

on the date of delivery of the materials required to be delivered under such other subsection. From and after such demonstration, such Debt shall be deemed to have been incurred under the subsection with respect to which such compliance has been demonstrated until any subsequent reclassification of such Debt.

(k) The Obligated Group Representative shall, prior to the incurrence of any Debt by a member of the Combined Group, deliver to the Master Trustee an Officer's Certificate which identifies the Debt to be incurred, identifies the subsection pursuant to which such Debt was incurred and demonstrates compliance with such subsection.

(l) The foregoing shall not be deemed to prohibit the establishment of Qualified Escrows, sinking funds for Balloon Debt as described in Section 8.8(a)(iii), or other funds to be held as security for any Debt or the exercise of any rights and remedies with respect thereto; provided that, if any moneys of a member of the Combined Group are to be deposited into any such fund, the following limitations shall be applicable to such funds and to deposits of the moneys therein:

(i) In the case of a sinking fund, deposits of moneys of a Member shall be limited to the amounts specified in Section 8.8(a)(iii).

(ii) Other permitted funds consisting in whole or in part of moneys of a Member may include (A) construction funds or other similar funds established to pay the costs of projects being financed by the Debt secured thereby, (B) debt service funds or other similar funds established to accumulate funds to pay the principal or redemption price of and interest on the Debt secured thereby, (C) depreciation reserve funds or other similar funds established to provide a proper matching between Net Income Available for Debt Service and Debt Service Requirement, and (D) other reasonably required reserve funds. All such funds and the required deposits of moneys of any a member of the Combined Group therein shall be consistent with prevailing market conditions at the time such funds are established.

(iii) Notwithstanding any other provision of this Indenture, the member establishing any fund pursuant to the provisions summarized above may grant a first Lien security interest in any such fund in favor of the Holder of the Debt secured thereby; provided that the obligation of such member to make deposits into any such fund may be secured only if and to the extent permitted pursuant to this Section 8.9.

(m) Debt containing a "put" or "tender" provision pursuant to which the holder of such Debt may require that such Debt be purchased prior to its maturity shall not be considered Balloon Long-Term Debt, 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 8.9.

Liabilities Other Than Debt or a Guaranty. This Section does not restrict or preclude the Obligated Group Members from incurring Liabilities that do not constitute a Debt or Guaranty.

SECTION 8.10 Restrictions on Creation of Liens

(a) **Prohibition on Liens Other Than Permitted Liens.** Members of the Obligated Group will not create, or suffer to be created or to exist, any Lien on any assets of the Obligated Group, whether now owned or hereafter acquired, unless such Lien meets the requirements of one or more of the following paragraphs (each such Lien being referred to as a "Permitted Lien"):

(1) Liens arising by reason of good faith deposits by any member of the Combined 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 Combined 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;

(2) 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 Combined 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;

(3) Any judgment Lien against any member of the Combined Group so long as the finality of such judgment is being contested in good faith and execution thereon is stayed, or in the absence of such a contest and stay, no material Property of any Member or Restricted Affiliate will be impaired or subject to loss or forfeiture as a result of such Lien, in the reasonable judgment of the Obligated Group Representative;

(4) (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.

(5) Any Lien which is existing on the date of authentication and delivery of the Initial Obligations issued under this Indenture, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any member of the Combined Group not subject to such Lien on such date or to secure Debt not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(6) 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 Section 13.3 hereof;

(7) Any Lien securing Non-Recourse Debt permitted by Section 8.9(e) hereof;

(8) Any Lien on Property acquired by a member of the Combined Group if the Debt secured by the Lien is Debt permitted under the provisions of Section 8.9 hereof, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the Debt secured thereby were created and incurred by a Person other than the member of the Combined Group, and (B) the Lien was not created for the purpose of enabling the member of the Combined Group to avoid the limitations hereof on creation of Liens on Property of the Combined Group;

(9) Reserved;

(10) Any Lien on equipment used at a health care facility provided the Debt secured by such Lien was incurred in accordance with Section 8.9 hereof;

(11) Any Lien in favor of a creditor or a trustee on the proceeds of Debt and any earnings thereon prior to the application of such proceeds and such earnings; banker's Liens or rights of setoff; or Liens securing letters of credit or other liquidity or credit enhancement that provides liquidity or credit enhancement for Debt otherwise permitted hereunder;

(12) Any Liens on the proceeds of insurance insuring assets that are subject to a lease from a third party owner or lessor of such assets;

(13) Any Lien in favor of a trustee or other agent on the proceeds of Debt and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding or defeasing Debt;

(14) Any Lien securing all Obligations on a parity basis, including the Lien created by this Indenture on Pledged Revenues and where applicable by the Mortgages;

(15) Liens on moneys deposited by patients or others with any member of the Combined Group as security for or as prepayment for the cost of patient care;

(16) Liens on Property received by any member of the Combined Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(17) Liens on Property due to rights of third party payors for recoupment of amounts paid to any member of the Combined Group;

(18) The Mortgage;

(19) Statutory rights of the United States of America by reason of federal funds made available under 42 U.S.C. Section 291 et seq and similar rights under other federal and state statutes or by reason of any loan or grant made available to a member of the Combined Group, and similar rights of the State of New York or local municipalities under similar state or local statutes;

(20) Any Lien on funds established pursuant to the terms of any Related Debt Document or related document in favor of the Master Trustee, a Related Debt Trustee or the registered owner of any Debt issued pursuant to such Related Debt Document, Related Bond Indenture or related document;

(21) Reserved;

(22) Any Lien or encumbrance created or incurred in the ordinary course of business which does not secure, directly or indirectly, the repayment of borrowed money or the payment of installment sales contracts of capital leases individually or in the aggregate, and which does not materially impair the value or the utility of the Property subject to such Lien or encumbrance;

(23) Any Lien arising by reason of deposits to enable any member of the Combined Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker's 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;

(24) Any Liens on pledges of grants or gifts which secure payment of Short-Term Debt permitted by Sections 8.9(d) and 8.9(f) hereto;

(25) Liens to which the Property is subject at the time (the "Effective Date") either (i) its owner becomes (or is merged into or consolidated with) a member of the Combined Group or (ii) all or substantially all of the assets of the owner of the Property are sold or otherwise conveyed to a member of the Combined Group, provided that:

(A) no Lien so described may be extended or renewed, nor may it be modified to apply to any Property or any member of the Combined Group not subject to such Lien on the Effective Date, unless the Lien as so extended, renewed or modified, or the replacement Lien, otherwise qualifies as a Permitted Lien;

(B) no additional indebtedness may be thereafter incurred that is secured by such Lien; and

(C) no Lien so described was created in order to avoid the limitations contained herein on the impositions of Liens on the Property of such members.

(26) Any Lien with respect to assets acquired after the date of the issuance of the Initial Obligations, which Lien either secures the purchase price of such Property or is a Lien to which such Property is subject at the time of its acquisition;

(27) Operating leases or ground leases of five years or fewer whereunder any member of the Combined Group is the lessor; or any license or other use agreement made with respect to Property where revenues generated inure to the benefit of any member of the Combined Group;

(28) Any Lien on money (or the investment made with such money) held in any depreciation reserve, debt service reserve, construction, debt service or similar fund and granted by a member of the Combined Group to secure payment of Debt (including any commitment indebtedness, whether or not then drawn upon);

(29) Such minor defects and irregularities of title as normally exist with respect to Property similar in character to the Property involved, and which do not materially adversely affect the value of or materially impair the Property affected thereby;

(30) Any Lien on pledges, gifts or grants to be received in the future, including any income derived from the investment thereof and Liens on or in Property given, bequested or devised to the owner thereof existing at the time of such gift, bequest or devise, provided that (i) such Liens attach solely to the Property which is the subject of such gift, bequest or devise, and (ii) the Debt secured by such Liens is not assumed;

(31) Any Lien securing Debt on a parity basis, to the extent permitted by Section 8.9 hereof;

(32) Any Lien on Excluded Property;

(33) Any lease which, in the judgment of the Member or Restricted Affiliate whose Property is subject thereto, is reasonably necessary or appropriate for or incidental to the proper and economical operation of such Property, taking into account the nature and terms of the lease and the nature and purposes of the Property subject thereto;

(34) Any leasehold interest granted by an member of the Combined Group to a state, a political subdivision of a state, the District of Columbia or any department, agency, authority or instrumentality of any of the foregoing in connection with a financing or refinancing transaction pursuant to which the lessee has issued its bonds, notes or other similar obligations or has obtained any government grants and has made the net proceeds thereof available to the such member under the lease, provided that (i) the term of the lease has a stated expiration date not later than 30 days after the stated maturity date of any bonds, notes or other obligations issued as aforesaid or the date by which the member is required to repay to the lessee the full amount of any grant so obtained and any interest thereon charged by the lessee, and such term is subject to sooner termination upon payment (or provision for payment) by such member of all sums payable by the lessee in respect of its bonds, notes or other obligations so issued or to the lessee in respect of any grant so obtained and all fees payable to and expenses incurred by the lessee in connection with the transaction, (ii) concurrently with the execution of any such lease, the lessee subleases the leased premises to the member pursuant to a sublease which provides for the payment by such member of sublease rentals in the amounts and at the times required for the payment of the amounts described in clause (i) above, and which further provides that the member shall be entitled to exclusive possession of the leased premises for so long as it is not in default of its rental payment and other obligations under the sublease and that any right of the lessee to dispossess such member and to relet the leased premises to another party shall be limited to the remaining term of the lessee's leasehold, and (iii) the member's rental payment and other obligations under any sublease described in clause (ii) above are secured, if at all, by Liens on any Property and revenues of the member only to the extent permitted under Section 8.9;

(35) Any Lien on accounts receivable and the proceeds thereof if such lien is given or made in connection with a sale, pledge, assignment or transfer permitted by the provisions of Section 8.9;

(36) Any Lien on the unrestricted funds of a member of the Combined Group if such lien is given or made in connection with the investment of such unrestricted funds by such Member of the Obligated Group;

(37) Any Liens created on amounts deposited with members of the Combined Group to secure capitated insurance contracts and risk-sharing arrangements with insurers, health maintenance organizations, preferred provider organizations, physician groups and other parties;

(38) Any purchase money mortgages, security interests, and Liens securing Purchase Money Indebtedness placed upon Property in order to obtain the use of such Property or to secure a portion of the purchase price thereof;

(39) Any Lien on securities or cash to the extent required under a Hedge Agreement to secure the obligations of one or more members of the Combined Group under that Hedge Agreement.

In addition to those Liens permitted as above in this definition of Permitted Liens, any Lien on Property if the total book value of the Property subject to such Lien does not exceed 15% of the book value of the total assets of the Combined Group.

SECTION 8.11 Sale, Lease or Other Disposition of Assets

(a) **Prohibition Against Dispositions Other Than Permitted Dispositions.** Members of the Obligated Group will not directly or indirectly make or permit a Disposition of assets of Members of the Obligated Group, whether now owned or hereafter acquired, unless such Disposition meets the requirements of one or more of the following paragraphs (each such Disposition being referred to as a "Permitted Disposition"):

(1) **Dispositions in the Ordinary Course of Business.** The Disposition is made in the ordinary course of business of the Member making such Disposition. For purposes of this ***Section 8.11(a)(1),*** a Disposition that constitutes an investment made by a Member of the Obligated Group in accordance with such Member's investment policy is a Disposition in the ordinary course of business, unless the Disposition is an investment in, or a loan or advance to, an Affiliate of an Obligated Group Member.

(2) **Dispositions With Respect to Permitted Liens.** Such Disposition constitutes a Permitted Lien under the terms of ***Section 8.10*** or results from the exercise of rights by the holder of such Permitted Lien.

(3) **Payment of Debts or Liabilities.** Such Disposition constitutes payment of amounts due on any Debt or other Liability of a Member.

(4) **Dispositions to Another Obligated Group Member.** The Disposition is made by one Member of the Obligated Group to another Member of the Obligated Group.

(5) **Merger or Transfer of Substantially All Assets.** The Disposition constitutes a merger or transfer of substantially all the assets of a Member permitted by the provisions of ***Section 8.6***.

(6) **Obsolete Assets.** The Disposition constitutes the disposal of assets that are obsolete, worn out, unprofitable or unsuitable in the operations of a Member, as determined in good faith by the Obligated Group Representative.

(7) **Fair Market Value Transactions With Unrelated Parties.** The Disposition satisfies both of the following requirements:

(A) The Member making the Disposition receives consideration in an amount not less than the fair market value of the asset subject to such Disposition, as determined in good faith by the Obligated Group Representative.

(B) The person to whom the Disposition is made is not an Affiliate of a Member of the Obligated Group.

For clarity, the following may be Dispositions for fair market value if the person to whom the Disposition is made is not an Affiliate of a Member of the Obligated Group: (i) a Disposition in which a Member makes a payment for the acquisition of assets by construction, purchase or lease, or by acquisition of stock, membership interests or other ownership interests in an entity that has

operating assets to be used in the business or operations of such Member; or (ii) a Disposition in which a Member transfers assets pursuant to a contractual agreement with respect to the operation of a joint venture, partnership or similar business arrangement.

(8) **Basket for Cash and Investments.** The Disposition is with respect to Cash and Investments of a Member and, on the date such Disposition is made, (i) no Indenture Default exists and (ii) after giving effect to such Disposition, (A) the Book Value of such Cash and Investments disposed of in any one Fiscal Year is not in excess of fifteen percent (15%) of the Book Value of the Cash and Investments of the Combined Group as of the end of the most recent Fiscal Year for which Audited Financial Statements are available; or (B) the Master Trustee receives the Officer's Certificate that would be required pursuant to ***Section 8.9(a)(i) or (ii) or (iii)*** if, immediately after the proposed Disposition, one dollar of Debt were to be incurred, in which event the Combined Group may transfer any assets;

(9) **Transfers to Affiliate Physician Group.** The Disposition of assets is to an affiliate physician group practice and is used to support commercially reasonable salary and benefits of physician employees of such group practice and other core healthcare strategies of the Obligated Group;

(10) **Basket for Assets Other Than Cash or Investments.** The Disposition is with respect to assets other than Cash and Investments and, on the date such Disposition is made, (i) no Indenture Default exists and (ii) the aggregate Book Value of the assets subject to such Disposition, together with the aggregate Book Value of all other assets subject to a Disposition pursuant to this ***Section 8.11(a)(10)*** in the same Fiscal Year, is not more than 15% of the Book Value of the fixed assets of the Obligated Group at the end of the Fiscal Year immediately prior to such Disposition;

(11) **Prior Project Facilities.** (A) The Members of the Obligated Group may, from time to time, enter into one or more real estate transactions pursuant to which there is a sale of fee interests, or grant of leasehold interests in, in real estate, including the sale or lease of all or a portion of the SEMC Hospital Facility, the SEMC Prior Project Facilities, the Faxton Campus, the St. Luke's Hospital Facility, the FSLH Prior Project Facilities, collectively the "Prior Project Facilities" (as such terms are defined in that certain trust indenture dated as of November 1, 2019 by and between Oneida County Local Development Corporation and The Bank of New York Mellon, as trustee, the "OCLDC Indenture"), which property may be Mortgaged Property, to a third party; provided the sale or lease does not materially detract from the utility of the Health Care Facilities subject to an applicable Mortgage and the net proceeds received by the Members of the Obligated Group from such sale will be applied to the prepayment of Related Debt Obligations, secured by Obligation No. 1 to Supplemental Indenture No. 1 to this Indenture, issued in connection with the OCLDC Indenture and then outstanding as required pursuant to the Tax Documents prepared in connection with the Related Debt Obligations issued pursuant to the OCLDC Indenture; and

(12) Any Disposition of the Parking Facility Land or the MOB Land, as defined in the OCLDC Indenture.

SECTION 8.12 Compliance Certificate of Obligated Group Representative

(a) Within 120 days after the end of each Fiscal Year, the Obligated Group Representative shall deliver to the Master Trustee a certificate of its chief executive officer or chief financial officer (i) providing a calculation of the Obligated Group's Debt Service Coverage Ratio and (ii) stating whether,

to the best of such officer's knowledge, any condition exists which is, or could be with notice or lapse of time, an Indenture Default. If any such condition exists, such certificate shall also describe the nature of such condition and the action the Obligated Group intends to take to cure such condition.

(b) If Audited Financial Statements for such Fiscal Year are not available when the certificate required by ***Section 8.12(a)*** must be delivered to the Master Trustee, the Obligated Group may base such certificate on unaudited financial statements of the Obligated Group for such Fiscal Year; provided, however, that within 14 days after the delivery of Audited Financial Statements for such Fiscal Year such certificate must be delivered again, based on the Audited Financial Statements.

SECTION 8.13 Establishing and Preserving the Lien on Collateral

The Obligated Group warrants and represents that:

(a) This Indenture creates a valid and enforceable Lien on the Pledged Revenues. No filing or recording of any document is required in order to establish, perfect and preserve the Lien of this Indenture other than filing in the office of the Secretary of State of New York (the "UCC Filing Office") of the UCC financing statements delivered by the Obligated Group in connection with the delivery of this Indenture. Such financing statements have been duly filed for record in the UCC Filing Office.

(b) As of the date of delivery of this Indenture, there is no Lien on the Collateral other than Permitted Liens.

(c) The Obligated Group will take all action required in order to preserve the Lien of the Master Trustee on the Collateral, including without limitation the filing of any continuation statements required by the New York Uniform Commercial Code.

SECTION 8.14 Effect of Accounting Principles

(a) It is acknowledged and agreed that to the extent generally accepted accounting principles require the consolidation or other combination of accounts (including revenues and gains, expenses and losses, assets and liabilities) of a Member of the Obligated Group with the accounts of a subsidiary or Affiliate that is not a Member (such Affiliate or subsidiary being referred to in this Section as a "Non-Obligated Affiliate"):

(1) Net Income Available for Debt Service for the Obligated Group shall be calculated giving effect to such combination;

(2) Operating Revenue for the Obligated Group shall be calculated giving effect to such combination;

(3) Operating Expenses for the Obligated Group shall be calculated giving effect to such combination; and

(4) the Book Value of assets or fixed assets of the Obligated Group shall be calculated giving effect to such combination.

(b) Notwithstanding any consolidation or combination of accounts described in ***Section 8.14(a)***:

(1) Debt of any Non-Obligated Affiliate shall not be included in Debt of the Obligated Group, except that Debt of any Non-Obligated Affiliate shall be included in Guaranteed Debt of any Member that has a Guaranty with respect to such Debt;

(2) A Guaranty by a Non-Obligated Affiliate shall not be considered a Guaranty by any Member unless a Member has independently entered into a Guaranty with respect to the same Debt; and

(3) Unrestricted Cash and Investments of any Non-Obligated Affiliate shall not be included in Unrestricted Cash and Investments of the Obligated Group.

SECTION 8.15 Pledged Revenues

(a) If no Indenture Default exists, or if an Indenture Default exists and the Master Trustee has not delivered a Lockbox Notice, cash and proceeds from the Pledged Revenues received by the Obligated Group shall no longer be considered Pledged Revenues or part of the Collateral, and the Obligated Group may receive, use and apply such cash and other proceeds for any lawful purpose, including without limitation the payment of Operating Expenses in the ordinary course of business and payment or satisfaction of Debts and other Liabilities, subject, however, to any applicable covenants or restrictions of this Indenture with respect to assets of the Obligated Group, including without limitation (i) restrictions on Liens imposed by ***Section 8.10*** and (ii) restrictions on Dispositions imposed by ***Section 8.11***.

(b) If an Indenture Default exists, the Master Trustee may exercise all rights and remedies with respect to the Pledged Revenues that are available to a secured party under the provisions of applicable law, including without limitation the following remedies:

(1) The Master Trustee may give notice (a "Lockbox Notice") to the Obligated Group Representative that it will take possession of all cash and other proceeds from the Pledged Revenues received or receivable by the Obligated Group after the date of such Lockbox Notice. After receipt of any such Lockbox Notice, the Obligated Group Members shall immediately remit to the Master Trustee any cash or other proceeds from the Pledged Revenues that are received by the Obligated Group after the date of any such Lockbox Notice.

(2) The Master Trustee shall be entitled, upon the order of any court of competent jurisdiction, to the appointment of a receiver for the Obligated Group and the Pledged Revenues. The court appointing such receiver may grant to such receiver all powers and duties permitted by law, including without limitation the power to collect, use and apply all cash and other proceeds from the Pledged Revenues.

(c) Any cash or other proceeds from the Pledged Revenues deposited with the Master Trustee or a receiver pursuant to the remedies described in this Section shall be held by the Master Trustee or receiver in a special trust fund established and maintained by the Master Trustee (the "Lockbox Fund"), subject to the Lien of this Indenture, and shall be applied by the Master Trustee as follows:

(1) Prior to a declaration of acceleration of all Obligations pursuant to ***Section 9.2***, money in the Lockbox Fund shall be applied to the payment of Operating Expenses of the Obligated Group, but, with respect to payments on Obligations, shall be applied only to Regularly Scheduled Payments.

(2) Upon a declaration of acceleration of all Obligations pursuant to ***Section 9.2***, all money in the Lockbox Fund shall be applied as provided in ***Section 9.3***.

Until disbursed for an authorized purpose, money in the Lockbox Fund shall be invested by the Master Trustee (i) as directed by the Holders of a majority of Debt Obligations Outstanding or (ii) in the absence of such directions, in a fund or account that is customarily used by the Master Trustee's corporate trust department for uninvested trust funds.

SECTION 8.16 Other Property That Becomes Collateral

(a) Any Supplemental Indenture or other document that makes additional property part of the Collateral subject to the Lien of the Trust Estate may specify (i) Liens or encumbrances permitted with respect to such additional property, (ii) the terms of release of all or a portion of such additional property from the Lien of this Indenture, and (iii) the use and application of proceeds from any sale or other disposition of such additional property. Except as otherwise provided in the Supplemental Indenture or other document making such additional property part of the Collateral, any such additional property that is released from the Collateral and any proceeds from the sale or other disposition of the property released shall be subject to the covenants and restrictions of this Indenture with respect to assets of the Obligated Group, including without limitation (i) the restrictions on Liens imposed by ***Section 8.10*** and (ii) restrictions on Dispositions imposed by ***Section 8.11***.

(b) Except as otherwise provided in the Supplemental Indenture or other document making such additional property part of the Collateral, any cash or other proceeds received by the Master Trustee from, or in lieu of, the exercise of remedies under such Supplemental Indenture or other document making such property part of the Collateral shall be applied by the Master Trustee as follows:

(1) Prior to a declaration of acceleration of all Obligations pursuant to ***Section 9.2***, such cash or other proceeds shall be applied to Regularly Scheduled Payments with respect to the Obligations.

(2) Upon a declaration of acceleration of all Obligations pursuant to ***Section 9.2***, such cash and other proceeds shall be applied as provided in ***Section 9.3***.

SECTION 8.17 Conditions for Designation of Restricted Affiliates

Any Affiliate of a Member of the Obligated Group that has satisfied the definition of "Restricted Affiliate" shall become a Restricted Affiliate upon delivery to the Master Trustee of the following documents:

(a) An Officer's Certificate from the Obligated Group Representative to the effect that the Obligated Group Representative consents to such Person becoming a Restricted Affiliate;

(b) A written undertaking for the benefit of the Master Trustee duly authorized and executed by such Affiliate evidencing the agreement of such Affiliate to observe and perform the obligations that the Obligated Group has covenanted to cause Restricted Affiliates to observe and perform hereunder;

(c) Evidence of appropriate action of the governing body of such Affiliate authorizing such undertaking;

(d) An Opinion of Counsel to the effect that the conditions contained in this Indenture relating to designation of a Restricted Affiliate have been satisfied and an Opinion of Counsel to the effect that (i) the instrument described in subparagraph (b) above has been duly authorized, executed and delivered by such Affiliate and constitutes a legal, valid and binding agreement of such Affiliate, enforceable in accordance with its terms, and (ii) the transfer of funds or assets by Restricted Affiliates to the Members of the Obligated Group, in the form of loans, advances, grants, gifts or other transfers as contemplated by ***Section 8.3(c)*** is permissible under any instruments by which the proposed Restricted Affiliate is controlled and under the applicable laws of the State, subject to limitation on transfers when a corporation is insolvent or would be rendered insolvent by the transfer and to limitations on transfer of funds or assets that are subject to donor restrictions or to a direct or express charitable trust or the transfer were determined not to be consistent with the continuing fulfillment of any charitable purposes theretofore served by the corporation under State law and, subject further to the customary exceptions regarding applicable bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally, and other customary legal exceptions;

(e) An Officer's Certificate of the Obligated Group Representative to the effect that no Indenture Default then exists hereunder, nor to such officer's knowledge does there then exist any event which, with the passage of time or giving of notice or both, would or might become an Indenture Default hereunder, and (ii) the documentation that would be required pursuant to ***Section 8.9(a)(i) or (ii) or (iii)*** if, immediately after the Affiliate would become a Restricted Affiliate, one dollar of Debt were to be incurred.

SECTION 8.18 Conditions for Release of Restricted Affiliates

Any Affiliate shall be released from its obligations and status as a Restricted Affiliate only upon compliance of the following conditions:

(a) The Master Trustee shall have received an (i) Officer's Certificate from the Obligated Group Representative consenting to the release of such Affiliate from its status as a Restricted Affiliate and (ii) the documentation that would be required pursuant to ***8.9(a)(i) or (ii) or (iii)*** if, immediately after the proposed release of the Restricted Affiliate, one dollar of additional Debt were to be incurred.

(b) The Master Trustee receives an Officer's Certificate of the Affiliate requesting such release stating that all conditions precedent provided for under this Indenture relating to the release of such Affiliate as a Restricted Affiliate have been complied with and that, were such Affiliate released as a Restricted Affiliate on the date of such Officer's Certificate, no Indenture Default would then exist hereunder, nor to such officer's knowledge, would there then exist any event which with the passage of time or giving of notice, or both, would or might become an Indenture Default.

Upon compliance with the conditions contained in subsections (a) and (b), the Master Trustee shall execute any documents reasonably requested by the released Affiliate to evidence the termination of such Affiliate's status as a Restricted Affiliate hereunder.

SECTION 8.19 Substitution of Obligation

The Obligated Group and the Master Trustee may, without the consent of or notice to any of the Holders of Obligations, amend or supplement this Indenture to modify, amend, change or remove any covenant, agreement, term or provision of the Indenture (other than a modification of the type described in ***Sections 11.3*** and ***11.4***) in order to effect the affiliation of the Obligated Group with another entity or entities and the inclusion of the Members of the Obligated Group in another obligated group (the

"New Obligated Group") under a new master trust indenture (the "New Master Indenture") executed by the Members of the New Obligated Group and an independent corporate trustee (the "New Master Trustee") (such transaction is referred to collectively herein as the "Obligated Group Transaction"), subject to the following requirements and conditions:

(a) The modifications, amendments, changes and removals permitted by this Section shall include those necessary or appropriate to implement the Obligated Group Transaction and to effect (i) the inclusion of the Members in the New Obligated Group, or (ii) the issuance of new or replacement Obligation or Obligations (the "Replacement Obligations") of the New Obligated Group under the New Master Indenture to evidence or secure any Debt or Related Debt, which Replacement Obligation or Obligations would constitute joint and several obligations of the members of the New Obligated Group, or (iii) the release or discharge-of any collateral securing any Obligation or Related Debt, including any mortgage, any equipment lien, any pledge of revenues and receivables, or any debt service reserve fund, in consideration for the issuance of a Replacement Obligation or Obligations of the New Obligated Group under the New Master Indenture to secure any Debt or Related Debt, or (iv) the replacement of all or a portion of the Obligated Group's financial and operating covenants and related definitions set forth in this Indenture with the New Obligated Group's financial and operating covenants and related definitions set forth in the New Master Indenture.

(b) The Obligated Group may implement the Obligated Group Transaction, and the Master Trustee upon the request of the Obligated Group Representative shall implement the Obligated Group Transaction, if:

(i) the Obligated Group Representative gives written notice of the substance of such proposed Obligated Group Transaction to each rating agency that has in effect a rating for any Obligation or Related Debt then Outstanding prior to the date such Obligated Group Transaction is to take effect, and either

(A) (I) each such Rating Agency having in effect a rating for any Obligation or Related Debt then Outstanding without taking into account any Credit Facility (or, if no Rating Agency has such outstanding rating, at least one rating agency selected by the Obligated Group Representative) shall confirm in writing prior to the implementation of the Obligated Group Transaction that the ratings on any such Replacement Obligations or Related Debt of the New Obligated Group immediately subsequent to the Obligated Group Transaction (X) will be not less than "A3" or "A-" or its equivalent, or (Y) if the then current rating of any Related Debt or Obligation (without giving effect to any Credit Facility) is less than "A3" or "A-", then such rating will be not less than the then current rating of the Related Debt or Obligations, and (II) the Obligated Group Representative delivers an Officer's Certificate certifying that (A) after giving effect to such Replacement Obligations and assuming that the New Obligated Group constituted the Obligated Group under this Master Indenture, the New Obligated Group could demonstrate compliance with the provisions of ***Section 8.9(a)(i) or (ii) or (iii)***, assuming the incurrence of $1.00 of additional Debt, and (III) the New Master Indenture contains a pledge of Pledged Revenues substantially similar to the pledge of Pledged Revenues in this Indenture as of the date thereof; or

(B) (I) the Obligated Group Representative delivers an Officer's Certificate certifying that after giving effect to such Replacement Obligations and assuming that the New Obligated Group constituted the Obligated Group under the Mater Indenture, the New Obligated Group could demonstrate compliance with the provisions of ***Section 8.9(a)(i) or (ii) or (iii)***, assuming the incurrence of one dollar of additional Debt provided, however, for purposes of Debt, the Debt Service Coverage Ratio shall not be less than 1.30 or the total Debt of the Obligated Group outstanding on the last day of the most recent Fiscal Year shall not be greater than 60% of the Capitalization of the New Obligated Group, and

(II) the New Master Indenture contains a pledge of Pledged Revenues substantially similar to the pledge of Pledged Revenues in the Indenture as of the date thereof; and

(ii) an original executed counterpart of the New Master Indenture is delivered to the New Master Trustee; and

(iii) original Replacement Obligations for all Obligations Outstanding under this Indenture are delivered to the New Master Trustee, which Replacement Obligations are issued by or on behalf of the New Obligated Group under and pursuant to and secured by the New Master Indenture and shall have been duly authenticated by the New Master Trustee under the terms of the New Master Indenture; and

(iv) at or prior to the implementation of the Obligated Group Transaction, there shall also be delivered to the Master Trustee, each Related Debt Issuer and each Related Debt Trustee, (A) an Opinion of Bond Counsel to the effect that under then-existing law the implementation of the Obligated Group transaction and the execution of the amendments or supplements contemplated in this Section, in and of themselves, would not adversely affect the validity of any Outstanding Related Debt or the exclusion from federal income taxation of interest payable on such Related Debt, and (B) an Opinion of Counsel to the effect that (I) the Replacement Obligation or Obligations of the New Obligated Group to be delivered to secure any Debt or Related Debt constitute legal, valid and binding obligations of the members of the New Obligated Group enforceable in accordance with their terms subject to customary exceptions, and (II) the issuance of the Replacement Obligation or Obligations will not cause such Related Debt or such Replacement Obligations to become subject to the registration requirements pursuant to the Securities Act of 1933, as amended (or that such Related Debt or Obligations have been so registered if registration is required) and will not subject the New Master Indenture to the qualification provisions of the Trust Indenture Act of 1939, as amended (or that the New Master Indenture has been so qualified if qualification is required).

(v) Not less than 15 days before the implementation of the Obligated Group Transaction, the Obligated Group Representative shall direct each Related Debt Trustee to give written notice thereof, by first-class mail, to each Related Debt Issuer and to all owners of the Related Debt then Outstanding.

SECTION 8.20 Excluded Property

(a) As of the date of delivery of this Indenture, the Members have designated the property described on Exhibit A as Excluded Property.

(b) Any property acquired by any Member of the Obligated Group after the date of this Indenture shall be deemed to constitute Excluded Property, unless such acquired property is an integral part of the operation of such Obligated Group Member's activities, as determined by the Obligated Group Representative.

(c) Additional property may be designated as Excluded Property under this Indenture, without consent of any Holders of Obligations, if: (i) such property could have been transferred or sold by the member of the Combined Group to a person other than a member of the Combined Group pursuant to ***Section 8.11*** of this Indenture; or (ii) the Master Trustee receives an Officer's Certificate to the effect that (A) such property does not constitute an integral part of the operation of the Combined Group's activities and (B) the total value of all property added as Excluded Property subsequent to the date of delivery of this Indenture does not exceed 10% of the total value of property of the Combined Group (calculated on the basis of the book value of the assets for the most recent Fiscal Year next preceding the date of such

addition for which Audited Financial Statements are available or, if the member so elects, on the basis of current market value); or (iii) the Master Trustee receives an Officer's Certificate to the effect that such property is unimproved real property not an integral part of the operation of such Combined Group's activities.

(d) The Members may, at any time, re-designate any Excluded Property as property by providing the Master Trustee with an Officer's Certificate describing such property. On and after the date of the delivery of such Officer's Certificate, such re-designated property shall not be Excluded Property.

ARTICLE 9

Defaults and Remedies

SECTION 9.1 Events of Default

Any one or more of the following shall constitute an event of default (an "Indenture Default") under this Indenture (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any amount due on an Obligation, whether at its stated maturity or due date, upon declaration of acceleration, upon call for redemption (unless, in the case of a conditional redemption, the conditions for such redemptions are not met), or otherwise; or

(b) default in the performance, or breach, of any covenant or warranty of the Obligated Group in this Indenture (other than a covenant or warranty a default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after notice of such default or breach, stating that such notice is a "notice of default" hereunder, has been given to the Obligated Group by the Master Trustee, or to the Obligated Group and the Master Trustee by the Holders of at least 25% in principal amount of the Outstanding Debt Obligations; or

(c) an Act of Bankruptcy by a Member of the Obligated Group; or

(d) the existence of an event of default, as therein defined, under a Related Debt Document or an Ancillary Commitment Document and the expiration of the grace period, if any, specified therein; or

(e) the Master Trustee shall receive written notice from the provider of any Credit Facility stating that (i) an event of default, as therein defined, exists under the related Credit Facility Agreement and (ii) such notice constitutes an Event of Default under this Indenture; or

(f) the existence of an event of default under any bond, debenture, note or other evidence of indebtedness of a Member of the Obligated Group, or under any indenture or other instrument under which any such evidence of indebtedness in excess of Ten Million Dollars ($10,000,000) has been issued or by which it is governed or secured, if (i) such event of default permits the holder or owner of such evidence of indebtedness to demand immediate payment or acceleration of amounts due under such evidence of indebtedness, (ii) such a demand for payment is made by the holder or owner, and (iii) the Obligated Group fails to make the required payment or to cure the default within 30 days after such demand; or

(g) the existence of an Indenture Default under the provisions of ***Section 8.7***; or

(h) the existence of any additional Indenture Default specified in a Supplemental Indenture.

SECTION 9.2 Remedies

(a) **Acceleration of Maturity**. If an Indenture Default exists, then and in every such case, the Master Trustee or the Holders of a majority in principal amount of the Debt Obligations Outstanding may declare the principal of all the Debt Obligations and the interest accrued thereon, together with the full amount of all other Obligations, to be due and payable immediately, by notice to the Obligated Group (and to the Master Trustee, if given by the Holders of Debt Obligations), and upon any such declaration such amounts shall become immediately due and payable. At any time after such a declaration of acceleration has been made pursuant to this Section, the Holders of a majority in principal amount of the Debt Obligations Outstanding may, by notice to the Obligated Group and the Master Trustee, rescind and annul such declaration and its consequences, if:

(1) the Obligated Group has deposited with the Master Trustee a sum sufficient to pay

(A) all overdue installments of interest on all Debt Obligations,

(B) the principal of (and premium, if any, on) any Debt Obligations which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Debt Obligations,

(C) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Debt Obligations,

(D) all amounts due and payable on Ancillary Obligations; and

(E) all sums paid or advanced by the Master Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel; and

(2) all Indenture Defaults, other than the nonpayment of the principal of Debt Obligations which has become due solely by such declaration of acceleration, have been cured or have been waived as provided in ***Section 9.10***.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

(b) **Rights and Remedies with Respect to Collateral.** If an Indenture Default exists, the Master Trustee may exercise any right or remedy with respect to the Collateral provided in this Indenture, including without limitation the rights and remedies provided in ***Article 8*** and the rights and remedies conferred or reserved to the Master Trustee by any Supplemental Indenture or other documents subjecting Collateral to the Lien of this Indenture.

(c) **Rights and Remedies Cumulative**. No right or remedy herein conferred upon or reserved to the Master Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The

assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

(d) **Remedies Subject to Applicable Law**. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

(e) **Rights and Remedies Under Ancillary Commitment Document or Related Debt Document.** If the Holder of any Ancillary Obligation or Related Debt Obligation has rights or remedies conferred or reserved by the terms of the related Ancillary Commitment Document or Related Debt Document (other than rights conferred or reserved by the terms of the related Obligation issued under this Indenture), nothing in this Indenture shall limit or restrict the exercise of such rights or remedies, including without limitation the right of such Holder to declare such Ancillary Commitment or Related Debt due and payable prior to its scheduled due date or maturity and the right to bring an action for collection of the amount due; provided, however, that no such right or remedy shall require the Master Trustee to use Collateral in possession of the Master Trustee for any purpose, or in any order of priority, other than the purposes and priority established by this Indenture, including without limitation any requirement of this Indenture that proceeds of the Collateral be applied only to the payment of Regularly Scheduled Payments prior to a declaration of acceleration of all Obligations under ***Section 9.2(a)***.

(f) **Costs and Expenses**. When the Master Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Indenture Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

(g) **Reorganization**. Nothing herein shall be deemed to authorize the Master Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment, or composition affecting the Obligations or the rights of any Holder thereof, or to authorize the Master Trustee to vote in respect of the claim of any Holder in any such proceeding without the approval of the Holders so affected.

SECTION 9.3 Application of Money Collected

Any money collected by the Master Trustee pursuant to this Article and any other sums then held by the Master Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Master Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Obligations and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) **First**: To the payment of all undeducted amounts due the Master Trustee under ***Section 10.7***;

(b) **Second**: To the payment of the whole amount then due and unpaid upon the Outstanding Obligations, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Master Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Obligations) on overdue amounts, and in case such proceeds shall be insufficient to pay in

full the whole amount so due and unpaid upon such Obligations, then to the payment of the amounts due, without any preference or priority, ratably according to the aggregate amount so due; provided, however, that payments with respect to Obligations owned by the Obligated Group or an Affiliate of the Obligated Group shall be made only after all other Obligations have been Fully Paid; and

(c) **Third**: To the payment of the remainder, if any, as a court of competent jurisdiction may direct, or, in the absence of such direction, to the Obligated Group.

SECTION 9.4 Master Trustee May Enforce Claims without Possession of Obligations

All rights of action and claims under this Indenture or the Obligations may be prosecuted and enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Master Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Obligations in respect of which such judgment has been recovered.

SECTION 9.5 Limitation on Suits

No Holder of any Obligation shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Indenture, or for the appointment of a receiver or master trustee or for any other remedy hereunder, unless:

(a) such Holder has previously given notice to the Master Trustee of a continuing Indenture Default;

(b) the Holders of not less than 25% in principal amount of the Outstanding Debt Obligations shall have made request to the Master Trustee to institute proceedings in respect of such Indenture Default in its own name as Master Trustee hereunder;

(c) such Holder or Holders have offered to the Master Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Master Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such request has been given to the Master Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Debt Obligations;

it being understood and intended that no one or more Holders of Obligations shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the Lien of this Indenture or the rights of any other Holders of Obligations, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all Outstanding Obligations, except as otherwise provided herein.

SECTION 9.6 Unconditional Right of Holders of Debt Obligations to Receive Principal, Premium and Interest

Notwithstanding any other provision in this Indenture, the Holder of any Debt Obligation shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if

any) and interest on such Obligation on the Maturity date expressed in such Obligation (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 9.7 Restoration of Positions

If the Master Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Master Trustee or to such Holder, then and in every such case the Obligated Group, the Master Trustee and the Holders shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Master Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 9.8 Delay or Omission Not Waiver

No delay or omission of the Master Trustee or of any Holder of any Obligation to exercise any right or remedy accruing upon an Indenture Default shall impair any such right or remedy or constitute a waiver of any such Indenture Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Master Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Master Trustee or by the Holders, as the case may be.

SECTION 9.9 Control by Holders of Debt Obligations

The Holders of a majority in principal amount of the Outstanding Debt Obligations shall have the right, during the continuance of an Indenture Default:

(a) to require the Master Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Obligations or otherwise, and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee hereunder, provided that

(1) such direction shall not be in conflict with any rule of law or this Indenture,

(2) the Master Trustee may take any other action deemed proper by the Master Trustee which is not inconsistent with such direction, and

(3) the Master Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction or to the Master Trustee.

SECTION 9.10 Waiver of Past Defaults

(a) Before any judgment or decree for payment of money due has been obtained by the Master Trustee, the Holders of not less than a majority in principal amount of the Outstanding Debt Obligations may, by notice to the Master Trustee and the Obligated Group, on behalf of the Holders of all the Obligations waive any past default hereunder or under any other Obligation Document and its consequences, except a default

(1) in the payment of principal or interest on any Debt Obligation, or

(2) in respect of a covenant or provision hereof which under Article 11 cannot be modified or amended without the consent of the Holder of each Outstanding Obligation affected.

(b) Upon any such waiver, such default shall cease to exist, and any Indenture Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 9.11 Suits to Protect the Trust Estate

The Master Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Indenture and to protect its interests and the interests of the Holders in the Trust Estate and in the rents, issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the Holders or the Master Trustee.

ARTICLE 10

The Master Trustee

SECTION 10.1 Certain Duties and Responsibilities of Master Trustee

(a) Except during the continuance of an Indenture Default,

(1) the Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Master Trustee; and

(2) in the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) If an Indenture Default exists, the Master Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Master Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that

(1) this subsection shall not be construed to limit the effect of ***Section 10.1(a)***;

(2) the Master Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Master Trustee was grossly negligent in ascertaining the pertinent facts;

(3) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Debt Obligations relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Indenture; and

(4) no provision of this Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

SECTION 10.2 Notice of Defaults

(a) If a notice event described in ***Section 10.2(b)*** exists, the Master Trustee shall notify Holders of such event within 30 days after a Responsible Officer of the Master Trustee has actual knowledge of its existence; provided, however, that the Master Trustee shall be protected in withholding such notice if (1) the notice event has been cured or waived or otherwise ceases to exist before such notice is given; or (2) the Master Trustee determines in good faith that the withholding of such notice is in the interest of Holders.

(b) For purposes of this Section the following shall constitute "notice events":

(1) the occurrence of an Indenture Default; and

(2) any event which is, or after notice or lapse of time or both would become, an Indenture Default.

SECTION 10.3 Certain Rights of Master Trustee

Except as otherwise provided in ***Section 10.1***:

(a) The Master Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Obligated Group mentioned herein shall be sufficiently evidenced by a certificate or order executed by a duly authorized officer of the Obligated Group Representative.

(c) Whenever in the administration of this Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Master Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon a certificate executed by a duly authorized officer of the Obligated Group Representative.

(d) The Master Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Master Trustee hereunder in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Master Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Obligated Group, personally or by agent or attorney.

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Master Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(h) The permissive right of the Master Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(i) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Master Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Master Trustee formally executes this Indenture and commences acting as Master Trustee hereunder.

(j) The Master Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Obligations.

(k) The Master Trustee shall not be accountable for the use or application by the Obligated Group of any of the Obligations or the proceeds thereof or for the use or application of any money paid over by the Master Trustee in accordance with the provisions of this Indenture.

(l) The Master Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Master Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(m) The Master Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means; provided, however, that the Obligated Group shall provide to the Master Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and

containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Obligated Group whenever a person is to be added or deleted from the listing. If the Obligated Group elects to give the Master Trustee Instructions using Electronic Means and the Master Trustee in its discretion elects to act upon such Instructions, the Master Trustee's understanding of such Instructions shall be deemed controlling. The Obligated Group understands and agrees that the Master Trustee cannot determine the identity of the actual sender of such Instructions and that the Master Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Master Trustee have been sent by such Authorized Officer. The Obligated Group shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Master Trustee and that the Obligated Group and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Obligated Group. The Master Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Master Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Obligated Group agrees (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Master Trustee, including without limitation the risk of the Master Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Master Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Obligated Group; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Master Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(n) The Master Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(o) The Master Trustee shall have no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Obligations.

(p) The rights, privileges, protections, immunities and benefits given to the Master Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Master Trustee in each of its capacities hereunder, and each agent of the Master Trustee.

(q) In no event shall the Master Trustee be responsible or liable for special, indirect, consequential or punitive damages or losses of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Master Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(r) The Master Trustee shall be protected and shall incur no liability for making any payments due and owing to the Holders, to DTC, or its nominee in accordance with the rules and procedures of the Book-Entry System for Obligations if and so long as such Obligations are in the Book-Entry System. In addition, the Master Trustee shall be protected and incur no liability for providing notice of any other communication required to be provided by the Master Trustee to the Holders, if such notice or other communication is given to DTC or its nominee in accordance with the rules and procedures of the Book-Entry System.

SECTION 10.4 Not Responsible for Recitals

The recitals contained herein and in the Obligations, except the certificate of authentication on the Obligations, shall be taken as the statements of the Obligated Group, and the Master Trustee assumes no responsibility for their correctness. The Master Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Obligated Group thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Indenture or of the Obligations.

SECTION 10.5 May Hold Obligations

The Master Trustee in its individual or any other capacity, may become the owner or pledgee of Obligations and may otherwise deal with the Obligated Group with the same rights it would have if it were not Master Trustee.

SECTION 10.6 Money Held in Trust

Money held by the Master Trustee in trust hereunder need not be segregated from other funds except to the extent expressly provided in this Indenture or required by law. The Master Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise expressly provided in this Indenture.

SECTION 10.7 Compensation and Reimbursement

(a) The Obligated Group agrees

(1) to pay to the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a master trustee of an express trust); and

(2) except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Master Trustee's gross negligence or bad faith.

(b) As security for the performance of the obligations of the Obligated Group under this Section, the Master Trustee shall be secured under this Indenture by a Lien prior to the Obligations, and for the payment of such compensation, expenses, reimbursements and indemnity the Master Trustee shall have the right to use and apply any money held by it as a part of the Trust Estate.

(c) The Obligated Group hereby agrees to indemnify and hold harmless the Master Trustee, its officers, directors, agents and employees from and against any and all costs, claims, liabilities, losses or damages whatsoever (including reasonable costs and fees of counsel, auditors or other experts), asserted or arising out of or in connection with the acceptance or administration of the trusts established pursuant to the Indenture and any documents or transactions contemplated in connection herewith, except costs, claims, liabilities, losses or damages resulting from the gross negligence or willful misconduct of the Master Trustee, including the reasonable costs and expenses (including the reasonable fees and expenses of its counsel) of defending itself against any such claim or liability in connection with its exercise or performance of any of its duties hereunder and of enforcing this indemnification provision.

The indemnifications set forth herein shall survive the termination of the Indenture and/or the earlier resignation or removal of the Master Trustee and/or payment of the Obligations.

SECTION 10.8 Corporate Trustee Required; Eligibility

(a) There shall at all times be a Master Trustee hereunder which shall (1) be a commercial bank or trust company organized and doing business under the laws of the United States of America or of any state, (2) be authorized under such laws to exercise corporate trust powers, and (3) be subject to supervision or examination by federal or state authority.

(b) Any successor Master Trustee must have an investment grade rating for its long-term deposits from each Rating Agency that maintains a rating with respect to any Obligations unless each Rating Agency without such a rating of the Master Trustee's deposits confirms in writing that the Master Trustee's long-term deposit rating will not result in a reduction or withdrawal of the rating then assigned to the Obligations.

SECTION 10.9 Resignation and Removal; Appointment of Successor

(a) No resignation or removal of the Master Trustee and no appointment of a successor Master Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Master Trustee under ***Section 10.10***.

(b) The Master Trustee may resign at any time by giving notice thereof to the Obligated Group. If an instrument of acceptance by a successor Master Trustee shall not have been delivered to the Master Trustee within 30 days after the giving of such notice of resignation, the resigning Master Trustee may petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

(c) The Master Trustee may be removed at any time by the Holders of a majority in principal amount of the Outstanding Debt Obligations by notice delivered to the Master Trustee and the Obligated Group. If no Indenture Default exists, the Master Trustee may be removed at any time by the Obligated Group by notice delivered to the Master Trustee.

(d) If at any time:

(1) the Master Trustee shall cease to be eligible under ***Section 10.8*** and shall fail to resign after request therefor by the Obligated Group or by any Holder who has been a bona fide Holder of an Obligation for at least 6 months, or

(2) the Master Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Master Trustee or of its property shall be appointed or any public officer shall take charge or control of the Master Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Obligated Group by a resolution of the governing body of the Obligated Group Representative may remove the Master Trustee, or (B) any Holder who has been a bona fide Holder of an Obligation for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Master Trustee and the appointment of a successor Master Trustee.

(e) If the Master Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Master Trustee for any cause, a successor Master Trustee shall be appointed by the Obligated Group. In case all or substantially all of the Trust Estate shall be in the

possession of a receiver or master trustee lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Master Trustee shall be so appointed by the Holders. If, within 1 year after such resignation, removal or incapability or the occurrence of such vacancy, a successor Master Trustee shall be appointed by the Holders of a majority in principal amount of the Outstanding Obligations, the successor Master Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Master Trustee and supersede the successor Master Trustee appointed by the Obligated Group or by such receiver or trustee. If no successor Master Trustee shall have been so appointed by the Obligated Group or the Holders and accepted appointment in the manner hereinafter provided, the Master Trustee or any Holder who has been a bona fide Holder of an Obligation for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

(f) The Obligated Group shall give notice of each resignation and each removal of the Master Trustee and each appointment of a successor Master Trustee by mailing, or causing the successor Master Trustee to mail, notice of such event by first-class mail, postage prepaid, to the Holders of Obligations as their names and addresses appear in the Register. Each notice shall include the name of the successor Master Trustee and the address of the Office of the Master Trustee.

SECTION 10.10 Acceptance of Appointment by Successor

(a) Every successor Master Trustee appointed hereunder shall execute, acknowledge and deliver to the Obligated Group and to the retiring Master Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Master Trustee shall become effective and such successor Master Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Master Trustee; but, on request of the Obligated Group or the successor Master Trustee, such retiring Master Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Master Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Master Trustee, and shall duly assign, transfer and deliver to such successor Master Trustee all property and money held by such retiring Master Trustee hereunder, subject nevertheless to its Lien, if any, provided for in ***Section 10.7***. Upon request of any such successor Master Trustee, the Obligated Group shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Master Trustee all such estates, properties, rights, powers and trusts.

(b) No successor Master Trustee shall accept its appointment unless at the time of such acceptance such successor Master Trustee shall be qualified and eligible under this Article, to the extent operative.

SECTION 10.11 Merger, Conversion, Consolidation or Succession to Business

Any corporation into which the Master Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Master Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Master Trustee, shall be the successor of the Master Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Obligations shall have been authenticated, but not delivered, by the Master Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Master Trustee may adopt such authentication and deliver the Obligations so authenticated with the same effect as if such successor Master Trustee had itself authenticated such Obligations.

ARTICLE 11

Amendment of Obligation Documents

SECTION 11.1 General Requirements for Amendments

The Master Trustee may, on behalf of the Holders, from time to time enter into, or consent to, an amendment of any Obligation Document only as permitted by this Article.

SECTION 11.2 Amendments Without Consent of Holders

An amendment of the Obligation Documents for any of the following purposes may be made, or consented to, by the Master Trustee without the consent of the Holders of any Obligations:

(a) to correct or amplify the description of any property at any time subject to the Lien of any Obligation Document, or better to assure, convey and confirm unto any secured party any property subject or required to be subjected to the Lien of any Obligation Document, or to subject to the Lien of any Obligation Document, additional property; or

(b) to evidence the succession of another person to any Financing Participant and the assumption by any such successor of the covenants of such Financing Participant (provided that the requirements of the related Obligation Document for such succession and assumption are otherwise satisfied); or

(c) to add to the covenants of any Financing Participant for the benefit of Holders and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants an event of default under the specified Obligation Documents permitting the enforcement of all or any of the several remedies provided therein; provided, however, that with respect to any such covenant, such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available upon such default; or

(d) to surrender any right or power conferred upon any Financing Participant other than rights or powers for the benefit of Holders; or

(e) to cure any ambiguity or to correct any inconsistency, provided such action shall not adversely affect the interests of the Holders of the Obligations; or

(f) to appoint a separate agent of the Obligated Group or the Master Trustee to perform any one or more of the following functions: (1) registration of transfers and exchanges of Obligations, or (2) payment of Debt Service on the Obligations; provided, however, that any such agent must be a bank or trust company with long-term obligations, at the time such appointment is made, in one of the three highest rating categories of at least one Rating Agency; or

(g) to make an amendment to the Obligation Documents that does not, in the reasonable judgment of the Master Trustee, materially and adversely affect the interests of the Holders of the Obligations; or

(h) to authorize the issuance of Obligations in accordance with the terms of this Indenture; or

(i) to provide for the addition or withdrawal of a Member of the Obligated Group in accordance with the terms of this Indenture.

SECTION 11.3 Amendments Requiring Consent of All Affected Holders

An amendment of the Obligation Documents for any of the following purposes may be entered into, or consented to, by the Master Trustee only with the consent of the Holder of each Obligation affected:

(a) to change the stated Maturity of the principal of, or any installment of interest on, any Debt Obligation, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Obligation, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or

(b) to reduce the percentage in principal amount of the Outstanding Obligations, the consent of whose Holders is required for any amendment of the Obligation Documents, or the consent of whose Holders is required for any waiver provided for in the Obligation Documents; or

(c) to modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

(d) to modify any of the provisions of this Section or ***Section 9.10***, except to increase any percentage provided thereby or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Obligation affected thereby; or

(e) to permit the creation of any Lien ranking prior to or on a parity with the Lien of this Indenture with respect to any of the Trust Estate or terminate the Lien of this Indenture on any property at any time subject hereto or deprive the Holder of any Obligation of the security afforded by the Lien of this Indenture; or

(f) to reduce the amount of, or change the due date of any payments due on, any Ancillary Obligation.

SECTION 11.4 Amendments Requiring Majority Consent of Holders

An amendment of the Obligation Documents for any purpose not described in ***Sections 11.2*** or ***11.3*** may be entered into, or consented to, by the Master Trustee only with the consent of the Holders of a majority in principal amount of Debt Obligations Outstanding.

SECTION 11.5 Certificate and Opinion as to Conditions Precedent

(a) Upon any request or application to the Master Trustee to take or refrain from taking any action under this Indenture, including but not limited to the execution and/or consent to any amendment or supplement to the Indenture, upon written request of the Master Trustee, the Obligated Group Representative shall furnish to the Master Trustee:

(1) an Officer's Certificate in form and substance reasonably satisfactory to the Master Trustee stating that, in the opinion of the signer, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Master Trustee stating that, in the opinion of such Counsel, all such conditions precedent have been complied with.

(b) Statements required in Officer's Certificate or Opinion:

(1) a statement that the individual making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

SECTION 11.6 Master Trustee Protected by Opinion of Counsel

In executing or consenting to any amendment permitted by this Article, the Master Trustee shall be entitled to receive, and, subject to ***Section 10.1***, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Indenture.

SECTION 11.7 Amendments Affecting Master Trustee's Personal Rights

The Master Trustee may, but shall not be obligated to, enter into any amendment that affects the Master Trustee's own rights, duties or immunities under the Obligation Documents.

SECTION 11.8 Effect on Holders

Upon the execution of any amendment under this Article, every Holder of Obligations theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 11.9 Reference in Obligations to Amendments

Obligations authenticated and delivered after the execution of any amendment under this Article shall, if required by such amendment or by the Master Trustee, bear a notation in form approved by the Master Trustee as to any matter provided for in such amendment. New Obligations so modified as to conform to any such amendment shall, if required by such amendment or by the Master Trustee, be prepared and executed by the Obligated Group and authenticated and delivered by the Master Trustee in exchange for Outstanding Obligations.

ARTICLE 12

Defeasance

SECTION 12.1 Payment of Indenture Debt; Satisfaction and Discharge of Indenture

(a) Whenever all Indenture Indebtedness has been Fully Paid, then (1) this Indenture and the Lien, rights and interests created hereby shall cease, determine and become null and void (except as to the rights, protections, immunities and indemnities applicable to the Master Trustee (and the Members' obligations in connection therewith) and except as to any surviving rights of registration of transfer or exchange of Obligations herein or therein provided for), and (2) the Master Trustee shall, upon the request of the Obligated Group and the delivery to the Master Trustee of an Officer's Certificate and Opinion of

Counsel conforming to the requirements of ***Section 11.5***, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer and deliver to the Obligated Group or upon the order of the Obligated Group, all cash and securities then held by it hereunder as a part of the Trust Estate.

(b) An Obligation shall be deemed "Fully Paid" if

(1) such Obligation has been cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, or

(2) if the Obligation is a Direct Debt Obligation, such Obligation shall have matured or been called for redemption and, on such Maturity date or redemption date, money or Defeasance Obligations for the payment of all Debt Service on such Obligation is held by the Master Trustee in an irrevocable trust for the benefit of the person entitled thereto, or

(3) such Obligation is alleged to have been mutilated, destroyed, lost or stolen and has been replaced as provided in ***Section 5.2***, or

(4) if such Obligation is a Direct Debt Obligation, a trust for the payment of such Obligation has been established in accordance with ***Section 12.2***, or

(5) if such Obligation is a Related Debt Obligation or an Ancillary Obligation, the Obligated Group has paid all such Obligations or has made provisions for the payment or defeasance of such Obligations in accordance with the terms of the Related Debt Document or the Ancillary Commitment Document, as the case may be. The holder of any Ancillary Commitment or the Holder of any Related Debt Obligation, as the case may be, shall provide written confirmation to the Master Trustee that the conditions of this paragraph have been met.

(c) Indenture Debt other than Obligations shall be deemed "Fully Paid" whenever the Obligated Group has paid all such Indenture Debt, or has made provisions satisfactory to the Master Trustee for the payment or defeasance of such Debt.

SECTION 12.2 Trust for Payment of Debt Service

(a) The Obligated Group may provide for the payment of any Direct Debt Obligation by establishing a trust for such purpose with the Master Trustee and depositing therein cash and/or Defeasance Obligations which (assuming the due and punctual payment of the principal of and interest on such Defeasance Obligations, but without reinvestment) will provide funds sufficient to pay the debt service on such Obligation as the same becomes due and payable until the Maturity or redemption of such Obligation; provided, however, that:

(1) Such Defeasance Obligations must not be subject to redemption prior to their respective maturities at the option of the issuer of such Securities.

(2) If such Obligation is to be redeemed prior to its Maturity, either (A) the Master Trustee shall receive evidence that notice of such redemption has been given in accordance with the provisions of this Indenture and such Obligation or (B) the Obligated Group shall confer on the Master Trustee irrevocable, written authority for the giving of such notice on behalf of the Obligated Group.

(3) If the interest rate on such Obligation is not fixed until the Maturity or redemption date of such Obligation, such trust must provide for the payment of interest on such Obligation at the maximum rate permitted by this Indenture for any period when interest is not fixed.

(4) Prior to the establishment of such trust the Master Trustee must receive (i) a written verification opinion or report of an Independent certified public accountant or verification agent or similar expert satisfactory to the Master Trustee demonstrating that the principal and interest payments on the Defeasance Obligations in such trust, without reinvestment, together with the cash balance in such trust remaining after purchase of such Defeasance Obligations, will be sufficient to make the required payments from such trust and (ii) an Officer's Certificate and Opinion of Counsel conforming to the requirements of ***Section 11.5***.

(b) Any trust established pursuant to this Section may provide for payment of less than all Direct Debt Obligations.

(c) If any trust provides for payment of less than all Direct Debt Obligations of a series and Maturity, the Direct Debt Obligations of such series and Maturity to be paid from the trust shall be selected by the Master Trustee by lot by such method as shall provide for the selection of portions (in Authorized Denominations) of the principal of Direct Debt Obligations of such series and Maturity of a denomination larger than the smallest Authorized Denomination. Such selection shall be made within 7 days after such trust is established. This selection process shall be in lieu of the selection process otherwise provided with respect to redemption of Direct Debt Obligations. After such selection is made, Direct Debt Obligations that are to be paid from such trust (including Direct Debt Obligations issued in exchange for such Obligations pursuant to the transfer or exchange provisions of this Indenture) shall be identified by a separate CUSIP number or other designation satisfactory to the Master Trustee. The Master Trustee shall notify Holders whose Direct Debt Obligations (or portions thereof) have been selected for payment from such trust and shall direct such Holders to surrender their Direct Debt Obligations to the Master Trustee in exchange for Direct Debt Obligations with the appropriate designation. The selection of Direct Debt Obligations for payment from such trust pursuant to this Section shall be conclusive and binding on the Financing Participants.

(d) Cash and/or Defeasance Obligations deposited with the Master Trustee pursuant to this Section shall not be a part of the Trust Estate but shall constitute a separate, irrevocable trust fund for the benefit of the Holder of the Direct Debt Obligation to be paid from such fund.

ARTICLE 13

The Obligated Group

SECTION 13.1 Effect of Status as Member of Obligated Group

All Members of the Obligated Group shall be jointly and severally liable for all Obligations issued under this Indenture and all Indenture Debt.

SECTION 13.2 Members of the Obligated Group

(a) As of the date of delivery of this instrument, MVHS, FSL and SEMC are the only Members of the Obligated Group.

(b) Other entities may become Members of the Obligated Group in accordance with the provisions of ***Section 13.3***. Members may withdraw from the Obligated Group in accordance with the provisions of ***Section 13.4***.

SECTION 13.3 Additional Members of the Obligated Group

(a) An entity may become a Member of the Obligated Group after the date of delivery of this instrument if:

(1) such entity shall execute and deliver to the Master Trustee a Supplemental Indenture containing the agreement of such entity to become jointly and severally liable (together with MVHS, FSLH, SEMC and all other Members of the Obligated Group) for the payment of all Obligations Outstanding hereunder and for the performance of all obligations of the Obligated Group hereunder, subject to ***Section 2.2*** hereof;

(2) each Member of the Obligated Group consents in writing to such entity becoming a Member of the Obligated Group;

(3) the Obligated Group delivers to the Master Trustee a certificate (together with supporting calculations) demonstrating that after giving effect to the admission of such person as a Member of the Obligated Group, no Member of the Obligated Group will be in default in the performance of any covenant contained in this Indenture or any Supplement, and (ii) presenting the documentation that would be required pursuant to ***Section 8.9(a)(i) or (ii) or (iii)***, to establish that the Obligated Group could incur $1 of additional Debt under the terms thereof.

(4) Exhibit A of this Indenture is supplemented to add a description of any property of such person becoming a Member which is to be considered Excluded Property (provided that such property may be treated as Excluded Property only if the primary operations of such person are not conducted upon such property or the requirements of ***Section 8.20*** are otherwise satisfied).

(5) no Indenture Default exists;

(6) the Obligated Group shall deliver to the Master Trustee an Opinion of Counsel stating in effect that the instrument delivered pursuant to ***Section 13.3(a)(1)*** constitutes a legal, valid and binding agreement of such entity, except as limited by bankruptcy, insolvency, reorganization and other similar laws affecting creditors' rights.

(b) After any entity becomes a Member of the Obligated Group:

(1) subject to the provisions of ***Section 8.14***, all computations provided for in this Indenture shall be made on a consolidated basis for the entire Obligated Group in accordance with generally accepted accounting principles consistently applied, eliminating inter-company items; and

(2) such entity shall be jointly and severally liable for all Obligations then Outstanding or subsequently issued under this Indenture, any reference herein to the Obligated Group shall be deemed to include such entity, and any covenant contained herein obligating the Obligated Group to perform or observe any agreement with respect to its property or its operations shall be deemed to obligate such entity to perform or observe such covenant with respect to its property or its operations, and the events of default specified herein shall apply to action or failure to act by such entity.

SECTION 13.4 Withdrawal From Obligated Group

(a) Any Member, other than MVHS may cease to be a Member of the Obligated Group if:

(1) the remaining Members shall execute and deliver to the Master Trustee a Supplemental Indenture consenting to the withdrawal of such Member and providing in effect that such entity will no longer be a Member of the Obligated Group;

(2) no Indenture Default exists; and

(3) the Obligated Group delivers to the Master Trustee (A) a certificate (together with supporting calculations) stating in effect that (i) if such person had not been a Member of the Obligated Group as of the last day of the most recent Fiscal Year, no Indenture Default would have existed on such date and (ii) after giving effect to such withdrawal (including the elimination of Net Income Available for Debt Service allocable to the withdrawing Member for the prior Fiscal Year), the Obligated Group could incur $1 of additional Debt under the terms and conditions of ***Section 8.8(a)(i) or (ii) or (iii)***.

(b) Any Member who withdraws from the Obligated Group in accordance with the terms of this Section shall no longer be jointly and severally liable for the Obligations then Outstanding or subsequently issued under this Indenture or any other Indenture Debt.

(c) Upon satisfaction of the conditions set forth in ***Section 13.4(a),*** the Master Trustee shall execute and deliver any releases or other documents reasonably requested by the entity withdrawing from the Obligated Group.

SECTION 13.5 Obligated Group Representative

(a) MVHS shall serve as the Obligated Group Representative for purposes of this Indenture.

(b) As Obligated Group Representative, MVHS shall, on behalf of all Members of the Obligated Group, perform the following functions for the Obligated Group for purposes of this Indenture:

(1) Execute and deliver Obligations under this Indenture.

(2) Execute and deliver supplements and amendments to this Indenture; provided, however, that any supplement or amendment to this Indenture that purports to add or remove any Member of the Obligated Group shall also be executed by the Member being added or removed.

(3) Execute and deliver notices, directions, elections and consents on behalf of the Obligated Group.

(c) Except as otherwise expressly provided in this Indenture, no further authorization or approval by any Member shall be required for actions by the Obligated Group Representative under this Indenture.

ARTICLE 14

Miscellaneous

SECTION 14.1 Notices

(a) ***Exhibit 14.1(a)*** contains address information provided by the Financing Participants for the receipt of notices. Any Financing Participant may change the address information listed in ***Exhibit 14.1(a)***, or may specify additional addresses for the receipt of notices, by giving notice of the change or addition to the other Financing Participants.

(b) In order to be effective for purposes of this Indenture:

(1) Any request, demand, authorization, direction, notice, consent, waiver or other document (collectively referred to in this Section as "notices") provided or permitted by this Indenture to be made upon, given or furnished to, or filed with, any of the Financing Participants must (except as otherwise expressly provided in this Indenture) be in writing. Notice by Electronic Means shall constitute written notice.

(2) The notice must be actually received by the Financing Participant to whom such notice is directed.

(c) Any specific reference in this Indenture to "written notice" shall not be construed to mean that any other notice may be oral, unless oral notice is specifically permitted by this Indenture under the circumstances.

SECTION 14.2 Notices to Holders; Waiver

(a) Where this Indenture provides for giving of notice to Holders of any event, such notice must (unless otherwise herein expressly provided) be in writing and mailed, first-class postage prepaid, to such Holder at the address of such Holder as it appears in the Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice.

(b) In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Master Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 14.3 Holders of Related Debt Deemed Holders of Related Debt Obligations

If any Related Debt Obligation is held by a trustee or other agent for the benefit of the holder or holders of the Related Debt, such Related Debt Obligation shall be disregarded and deemed not outstanding hereunder for purposes of determining whether the Holders of a requisite aggregate principal amount of Debt Obligations have concurred in taking any action hereunder (including the making of any demand or request, the giving of any notice, consent or waiver, or the taking of any other action), and, except as otherwise provided in the Related Debt Document, each holder of the Related Debt outstanding under the Related Debt Document shall, for purposes of such determination, be deemed to hold a Related Debt Obligation in a principal amount equal to the aggregate principal amount of such Related Debt held by such holder.

SECTION 14.4 Successors and Assigns

All covenants and agreements in this Indenture by any Member of the Obligated Group shall bind its successors and assigns, whether so expressed or not.

SECTION 14.5 Benefits of Indenture

Nothing in this Indenture or in the Obligations, express or implied, shall give to any person, other than the parties hereto and their successors hereunder and the Holders of the Outstanding Obligations any benefit or any legal or equitable right, remedy or claim under this Indenture.

[Signature Page Follows]

IN WITNESS WHEREOF, the Members of the Obligated Group and the Master Trustee have caused this instrument to be duly executed.

MOHAWK VALLEY HEALTH SYSTEM

By:_____

Title:_____

FAXTON-ST. LUKE'S HEALTHCARE

By:_____

Title:_____

ST. ELIZABETH MEDICAL CENTER

By:_____

Title:_____

[Execution continues on the following page]

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Master Trustee

By:_____

Title:_____

SCHEDULE A

EXISTING OBLIGATIONS

1. The $60,000,000 principal amount Mohawk Valley Health System Obligated Group Facilities Revenue Bond, Series 2018K dated September 25, 2018.

EXHIBIT 4.1(a)(1)

Form of Direct Debt Obligations

Series _____ Note

No. _____

Maturity Date	**Interest Rate**	**CUSIP**
_____	_____	_____

MOHAWK VALLEY HEALTH SYSTEM, a New York not-for-profit corporation ("MVHS", which term includes any successor corporation under the Indenture hereinafter referred to), on behalf of itself and all other Members of the Obligated Group, for value received, hereby promises to pay to

_____,

or registered assigns, the principal sum of

_____ **DOLLARS**

on the Maturity Date specified above and to pay interest hereon from the date hereof, or the most recent date to which interest has been paid or duly provided for, until the principal hereof shall become due and payable, at the applicable per annum rate of interest specified above. Interest shall be payable on ***[specify interest payment dates]***, beginning _____, ____, and shall be computed on the basis of ***[specify computation basis]***.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture hereinafter referred to, be paid to the person in whose name this Note is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a Business Day) of the month next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Holder on such Regular Record Date, and shall be paid to the person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Master Trustee, notice of such Special Record Date being given to Holders of the Notes not less than 10 days prior to such Special Record Date.

Interest shall be payable on overdue principal (and premium, if any) on this Note and (to the extent legally enforceable) on any overdue installment of interest on this Note at the rate borne by this Note.

Payment of Debt Service on this Note shall be made by the applicable method specified in the Indenture. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

This Note is one of a duly authorized issue of Notes of the Obligated Group, aggregating $_____ in principal amount, designated "Series _____ Notes" (the "Notes"). The Notes are issued under and pursuant to a Master Trust Indenture dated November 1, 2019, as amended and supplemented (the "Indenture"), between the Members of the Obligated Group and The Bank of New York Mellon (the "Master Trustee", which term includes any successor trustee under the Indenture). The Obligated Group

and the Master Trustee have entered into a _____ Supplemental Indenture dated _____, ___ (the "_____ Supplemental Indenture") supplementing the Indenture and authorizing the Notes. As used herein, the term "Indenture" includes the Indenture as originally executed and all amendments and supplements to the Indenture in accordance with its terms, including the _____ Supplemental Indenture. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Indenture.

The Notes constitute "Direct Debt Obligations" under the Indenture. The Notes and all other Obligations issued pursuant to the Indenture are referred to collectively under the Indenture as the "Obligations".

The Notes and all other Obligations under the Indenture are full faith and credit obligations of the Obligated Group for the payment of which its full faith and credit is pledged.

Copies of the Indenture are on file at the Office of the Master Trustee, and reference is hereby made to such instrument for a description of the properties pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Holders of the Obligations and the Financing Participants, and the terms upon which the Obligations are, and are to be, authenticated and delivered.

In the manner and with the effect provided in the Indenture, the Notes will be subject to redemption prior to Maturity as follows:

[Insert redemption provisions
from relevant section of
Related Supplemental Indenture]

If less than all Notes Outstanding are to be redeemed pursuant to the applicable optional redemption provisions, the principal amount of Notes of each Maturity to be redeemed will be specified by the Obligated Group by written notice to the Master Trustee or, in the absence of timely receipt by the Master Trustee of such notice, shall be selected by the Master Trustee in the inverse order Maturity and by lot within a Maturity, or by such other method as the Master Trustee shall deem fair and appropriate.

If less than all Notes with the same Maturity are to be redeemed, the particular Notes of such Maturity to be redeemed shall be selected by the Master Trustee by lot or by such other method as the Master Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Notes of such Maturity of a denomination larger than the smallest Authorized Denomination.

Upon any partial redemption of any Note, the same shall, except as otherwise permitted by the Indenture, be surrendered in exchange for one or more new Notes of the same series and Maturity and in authorized form for the unredeemed portion of principal. Notes (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Indenture shall thereupon cease to be entitled to the Lien of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

Any redemption shall be made upon at least 30 days' notice in the manner and upon the terms and conditions provided in the Indenture.

If an "Indenture Default", as defined in the Indenture, shall occur, amounts due on all Obligations then Outstanding may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits the amendment of the Indenture and waivers of past defaults under such instruments and the consequences of such defaults, in certain circumstances without consent of Holders and in other circumstances with the consent of all Holders or a specified percentage of Holders. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

The Holder of this Note shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

As provided in the Indenture and subject to certain limitations therein set forth, this Note is transferable on the Register maintained at the Office of the Master Trustee, upon surrender of this Note for transfer at such office, together with all necessary endorsements for transfer, and thereupon one or more new Notes of the same series and Maturity, of any Authorized Denominations and for a like aggregate principal amount, will be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, the Notes are exchangeable for other Notes of the same series and Maturity, of any Authorized Denominations and of a like aggregate principal amount, as requested by the Holder surrendering the same.

No service charge shall be made for any transfer or exchange hereinbefore referred to, but the Obligated Group may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Obligated Group and the Master Trustee may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither the Obligated Group nor the Master Trustee shall be affected by notice to the contrary.

No covenant or agreement contained in this Note or the Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member of the Obligated Group, and neither any member of the governing body of any Member of the Obligated Group nor any officer executing this Note shall be liable personally on this Note or be subject to any personal liability or accountability by reason of the issuance of this Note.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by law.

Unless the certificate of authentication hereon has been executed by the Master Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Obligated Group Representative has caused this Note to be duly executed.

Dated: _____, _____.

MOHAWK VALLEY HEALTH SYSTEM, on behalf of all Members of the Obligated Group

By:_____
[Title]

Attest:

_____
[Title]

Certificate of Authentication

This is one of the Notes referred to in the within-mentioned Indenture.

Date of authentication:_____

THE BANK OF NEW YORK MELLON, as Master Trustee

By_____
Authorized Officer

EXHIBIT 4.1(a)(2)

Form of Related Debt Obligations
Series _____ Related Debt Obligation

No. _____

MOHAWK VALLEY HEALTH SYSTEM, a New York not-for-profit corporation ("MVHS", which term includes any successor corporation under the Indenture hereinafter referred to), on behalf of itself and all other Members of the Obligated Group, for value received, has issued this Obligation (the "Series _____ Related Debt Obligation" or "this Obligation") to _____ (the "Holder"), in its capacity as _____ under the [Related Debt Document] referred to below. This Obligation is being issued under and pursuant to a Master Trust Indenture dated November 1, 2019, as amended and supplemented (the "Indenture"), between the Members of the Obligated Group and The Bank of New York Mellon (the "Master Trustee", which term includes any successor trustee under the Indenture). The Obligated Group and the Master Trustee have entered into a _____ Supplemental Indenture dated _____, ___ (the "_____ Supplemental Indenture") supplementing the Indenture and authorizing this Obligation. As used herein, the term "Indenture" includes the Indenture as originally executed and all amendments and supplements to the Indenture in accordance with its terms, including the _____ Supplemental Indenture. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Indenture. This Obligation and all other Obligations issued under the Indenture are herein collectively referred to as the "Obligations".

This Obligation is being issued to secure the obligations of the Obligated Group with respect to the Obligated Group's $_____ [Description of Related Debt instrument] (the "_____"), which have been issued pursuant to that certain [Description of Related Debt Document] dated _____ (the "_____") between the Members of the Obligated Group and [Identity of Related Debt holder or trustee or representative of Related Debt holders] (in such capacity, the "_____"). The payment terms of the [Related Debt] and the Related Debt Document are hereby incorporated by reference in this Obligation. For purposes of the Indenture, the _____ constitute "Related Debt", the _____ constitutes the "Related Debt Document", and this Obligation constitutes a "Related Debt Obligation".

The Obligations are full faith and credit obligations of the Obligated Group for the payment of which its full faith and credit is pledged.

A copy of the Indenture is on file at the Office of the Master Trustee, and reference is hereby made to the Indenture for a description of the properties pledged and assigned, the nature and extent of the security, the rights of the Holder of the Obligations issued thereunder, and the terms upon which this Obligation is authenticated and delivered.

If an "Indenture Default", as defined in the Indenture, shall occur, amounts due on all Obligations then Outstanding may become or be declared due and payable in the manner and with the effect provided in the Indenture. After the occurrence of an Indenture Default but prior to declaration of acceleration of all Obligations pursuant to the Indenture, the Trust Estate may be applied only to the payment of Operating Expenses and the Regularly Scheduled Payments on the Obligations, subject to the Master Trustee's Lien and rights pursuant to ***Section 10.7(b)*** of the Indenture.

The Indenture permits the amendment of the Indenture and waivers of past defaults thereunder and the consequences of such defaults, in certain circumstances without consent of Holders and in other circumstances with the consent of the Holders of all Obligations, or a specified percentage of the Holders

of Debt Obligations. Related Debt Obligations constitute "Debt Obligations" under the Indenture. Any such consent or waiver by the Holder of this Obligation shall be conclusive and binding upon such Holder and upon all future Holders of this Obligation and of any Obligation issued in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Obligation.

The Holder of this Obligation shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Obligated Group and the Master Trustee may treat the person in whose name this Obligation is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Obligation is overdue, and neither the Obligated Group nor the Master Trustee shall be affected by notice to the contrary. This Obligation may be transferred only as provided in the Indenture.

No covenant or agreement contained in this Obligation or the Indenture shall be deemed to be a covenant or agreement of any trustee, officer, agent or employee of any Member of the Obligated Group, and neither any member of the governing body of any Member of the Obligated Group nor any officer executing this Obligation shall be liable personally on this Obligation or be subject to any personal liability or accountability by reason of the issuance of this Obligation.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and issuance of this Obligation do exist, have happened and have been performed in due time, form and manner as required by law.

Unless the certificate of authentication hereon has been executed by the Master Trustee by manual signature, this Obligation shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Obligated Group Representative has caused this Obligation to be duly executed.

Dated: _____, _____.

MOHAWK VALLEY HEALTH SYSTEM, on behalf of all Members of the Obligated Group

By:_____
[Title]

[SEAL]

Attest:

_____
[Title]

Certificate of Authentication

This is the Series _____ Related Debt Obligation referred to in the within-mentioned Indenture.

Date of authentication:_____

THE BANK OF NEW YORK MELLON, as Master Trustee

By_____
Authorized Officer

EXHIBIT 4.1(a)(3)

Form of Ancillary Obligations
Series _____ Ancillary Obligation

No. _____

MOHAWK VALLEY HEALTH SYSTEM, a New York not-for-profit corporation ("MVHS", which term includes any successor corporation under the Indenture hereinafter referred to), on behalf of itself and all other Members of the Obligated Group, for value received, has issued this Obligation (the "Series _____ Ancillary Obligation" or "this Obligation") to _____ (the "Holder"), in its capacity as _____ under the [Ancillary Commitment Document] referred to below. This Obligation is being issued under and pursuant to a Master Trust Indenture dated November 1, 2019, as amended and supplemented (the "Indenture"), between the Members of the Obligated Group and The Bank of New York Mellon (the "Master Trustee", which term includes any successor trustee under the Indenture). The Obligated Group and the Master Trustee have entered into a _____ Supplemental Indenture dated _____, ___ (the "_____ Supplemental Indenture") supplementing the Indenture and authorizing this Obligation. As used herein, the term "Indenture" includes the Indenture as originally executed and all amendments and supplements to the Indenture in accordance with its terms, including the _____ Supplemental Indenture. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Indenture. This Obligation and all other Obligations issued under the Indenture are herein collectively referred to as the "Obligations".

This Obligation is being issued to secure the obligations of the Obligated Group with respect to that certain _____ [Description of Ancillary Commitment] (the "_____"), which has been entered into or undertaken pursuant to that certain [Description of Ancillary Commitment Document] dated _____ (the "_____") between [Identify the Member of the Obligated Group] and [Identity of holder of Ancillary Commitment] (in such capacity, the "_____"). The payment terms of the [Ancillary Commitment] and the [Ancillary Commitment Document] are hereby incorporated by reference in this Obligation. For purposes of the Indenture, the _____ constitutes an "Ancillary Commitment", the _____ constitutes the "Ancillary Commitment Document", and this Obligation constitutes an "Ancillary Obligation".

The Obligations are full faith and credit obligations of the Obligated Group, subject to *Section 4.2* of the Indenture, for the payment of which its full faith and credit is pledged.

A copy of the Indenture is on file at the Office of the Master Trustee, and reference is hereby made to the Indenture for a description of the properties pledged and assigned, the nature and extent of the security, the rights of the Holder of the Obligations issued thereunder, and the terms upon which this Obligation is authenticated and delivered.

If an "Indenture Default", as defined in the Indenture, shall occur, amounts due on all Obligations then Outstanding may become or be declared due and payable in the manner and with the effect provided in the Indenture. After the occurrence of an Indenture Default but prior to declaration of acceleration of all Obligations pursuant to the Indenture, the Trust Estate may be applied only to the payment of Operating Expenses and the Regularly Scheduled Payments on the Obligations, subject to the Master Trustee's Lien and rights pursuant to ***Section 10.7(b)*** of the Indenture. The Holders of a majority in principal amount of Debt Obligations outstanding under the Indenture may direct the Master Trustee to effect an acceleration. The Indenture does not include Ancillary Obligations as Debt Obligations.

The Indenture permits the amendment of the Indenture and waivers of past defaults thereunder and the consequences of such defaults, in certain circumstances without consent of Holders and in other circumstances with the consent of the Holders of all Obligations, or a specified percentage of the Holders of Debt Obligations. Any such consent or waiver by the Holder of this Obligation shall be conclusive and binding upon such Holder and upon all future Holders of this Obligation and of any Obligation issued in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Obligation.

The Holder of this Obligation shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Obligated Group and the Master Trustee may treat the person in whose name this Obligation is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Obligation is overdue, and neither the Obligated Group nor the Master Trustee shall be affected by notice to the contrary. This Obligation may be transferred only as provided in the Indenture. [Pursuant to ***Section 4.2*** of the Indenture, this Obligation may not be transferred to any person other than the counterparty under the [Secured Hedge Agreement], or a successor or assign for such counterparty.]

No covenant or agreement contained in this Obligation or the Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member of the Obligated Group, and neither any member of the governing body of any Member of the Obligated Group nor any officer executing this Obligation shall be liable personally on this Obligation or be subject to any personal liability or accountability by reason of the issuance of this Obligation.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and issuance of this Obligation do exist, have happened and have been performed in due time, form and manner as required by law.

Unless the certificate of authentication hereon has been executed by the Master Trustee by manual signature, this Obligation shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Obligated Group Representative has caused this Obligation to be duly executed.

Dated: _____, _____.

MOHAWK VALLEY HEALTH SYSTEM, on behalf of all Members of the Obligated Group

By:_____
[Title]

Attest:

_____
[Title]

Certificate of Authentication

This is the Series _____ Ancillary Obligation referred to in the within-mentioned Indenture.

Date of authentication:_____

THE BANK OF NEW YORK MELLON, as Master Trustee

By_____
Authorized Officer

EXHIBIT 14.1(a)

Notices

Mohawk Valley Health System

Mailing address:

Mohawk Valley Health System
Attn: Louis Aiello, Senior Vice Present and Chief Financial Officer
1656 Champlin Avenue
Utica, New York 13502
Email: laiello@mvhealthsystem.org

Faxton-St. Luke's Healthcare

Mailing address:

Faxton-St. Luke's Healthcare
c/o MVHS
Mohawk Valley Health System
Attn: Louis Aiello, Senior Vice Present and Chief Financial Officer
1656 Champlin Avenue
Utica, New York 13502
Email: laiello@mvhealthsystem.org

St. Elizabeth Medical Center

Mailing address:

St. Elizabeth Medical Center
c/o MVHS
Mohawk Valley Health System
Attn: Louis Aiello, Senior Vice Present and Chief Financial Officer
1656 Champlin Avenue
Utica, New York 13502
Email: laiello@mvhealthsystem.org

The Bank of New York Mellon

Mailing address:

The Bank of New York Mellon
Attn: Mark Petro, Vice President
500 Ross Street, 12th Floor
Pittsburgh, Pennsylvania 15262
Email: mark.petro@bnymellon.com

EXHIBIT A

EXCLUDED PROPERTY

1. The Parking Facility Land, as such term is defined in that that certain Trust Indenture dated as of November 1, 2019, between Oneida County Local Development Corporation and The Bank of New York Mellon, as bond trustee (the "OCLDC Indenture"); and

2. The MOB Land (as defined in the OCLDC Indenture).

EXHIBIT B

INITIAL OBLIGATIONS

1. The Obligation issued on the date of execution and delivery of this Indenture to secure the obligations of the Members of the Obligated Group relating to the Oneida County Local Development Corporation Revenue Bonds (Mohawk Valley Health System Project), Series 2019A (Tax-Exempt) and Series 2019B (Taxable).

2. One or more Obligations issued to secure the obligations of the Members of the Obligated Group relating to a line of credit from Bank of America, N.A. in the maximum principal amount of $20,000,000 and a line of credit from Bank of America, N.A. in the maximum principal amount of $30,000,000, which are expected to be issued on or about the date of execution and delivery of this Indenture.

3. The Obligation issued to Barclays Bank PLC on the date of execution and delivery of this Indenture in substitution and replacement for the $60,000,000 Mohawk Valley Health System Obligated Group Facilities Revenue Bond, Series 2018K dated September 25, 2018 issued to Barclays Bank PLC pursuant to the Original Master Indenture.

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APPENDIX E

FORM OF BOND COUNSEL OPINION

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FORM OF BOND COUNSEL'S APPROVING OPINION

November ___, 2019

Oneida County Local Development Corporation
Rome, New York

Re: Oneida County Local Development Corporation

$_____ Revenue Bonds
(Mohawk Valley Health System Project), Series 2019A (Tax-Exempt)

$_____ Revenue Bonds
(Mohawk Valley Health System Project), Series 2019B (Taxable)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Oneida County Local Development Corporation (the "Issuer") of its $_____ Revenue Bonds (Mohawk Valley Health System Project), Series 2019A (Tax-Exempt) (the "Series 2019A Bonds") and its $_____ Revenue Bonds (Mohawk Valley Health System Project), Series 2019B (Taxable) (the "Series 2019B Bonds" and, together with the Series 2019A Bonds, the "Bonds").

The Bonds are authorized and issued pursuant to (i) Section 1411 of the Not-for-Profit Corporation Law of the State of New York (the "State"), (ii) a bond resolution adopted by the members of the Issuer on September 27, 2019 (the "Bond Resolution") and (iii) a Trust Indenture dated as of November 1, 2019 (the "Indenture") by and between the Issuer and The Bank of New York Mellon, as trustee (the "Trustee") for the purpose of financing the costs of a certain project (the "Project") for the benefit of Mohawk Valley Health System (the "Institution" or "MVHS") and its affiliates, Faxton-St. Luke's Healthcare ("FSL") and St. Elizabeth Medical Center ("St. Elizabeth" or "SEMC"; MVHS, FSL and SEMC are collectively referred to as the "Institutions" or "Members of the Obligated Group") consisting of (A) the design, development, acquisition (including land acquisition), construction and equipping of a hospital facility, central utility plant, and related improvements in the City of Utica, New York (the "New Hospital Facility"), the acquisition of land adjacent to the site of the New Hospital Facility, upon which land will be constructed an approximately 1,300 space parking garage (the "Parking Facility Land"), and the acquisition and improvement of land adjacent to the New Hospital Facility for construction of a medical office building (the "MOB Land"); (the New Hospital Facility, the Parking Facility Land and the MOB Land are collectively referred to as the "Current Project Facility"); (B) the refinancing of the Institutions' indebtedness to Barclays Bank PLC ("Barclays") under a certain Revolving Credit Agreement dated September 25, 2018 among the Institutions and Barclays, the proceeds of which were used to finance costs of the Current Project Facility and to pay costs of acquiring and installing a new EPIC Electronic Health Record Systemat the Institutions' existing facilities; (C) the refinancing of the Institutions' indebtedness to Bank of America, N.A. ("BofA") under a certain Loan Agreement dated as of September 25, 2018 among the Institutions and the BofA, the proceeds of which were used to refinance the acquisition,

construction, renovation and equipping of certain SEMC facilities; (D) the refinancing of the $7,705,000 original principal amount Oneida County Industrial Development Agency ("OCIDA") Variable Rate Demand Civic Facility Revenue Bonds, Series 2006E (Mohawk Valley Network, Inc. Obligated Group, Faxton-St. Luke's Healthcare Civic Facilities) and the $12,290,000 original principal amount OCIDA Variable Rate Demand Civic Facility Revenue Bonds, Series 2006F (Taxable) (Mohawk Valley Network, Inc. Obligated Group; Faxton-St. Luke's Healthcare Civic Facilities); (E) the financing of certain furnishings and equipment for facilities owned and/or operated by MVHS, FSL or SEMC; and (F) the payment of costs and expenses incidental to the issuance of the Bonds.

Under the terms of the Indenture and a Loan Agreement dated as of November 1, 2019 by and between the Issuer and the Institution (the "Loan Agreement"), the Issuer has made a loan to the Institution in an amount equal to the principal amount of the Bonds for the purposes of financing the Project, and the Institution has agreed to undertake the Project and to make the loan payments in such amounts and at such times as will be sufficient to pay principal of, premium, if any, and interest on the Bonds as the same become due and payable and to make certain other payments with respect to the Bonds as described therein.

The Issuer has assigned and pledged to the Trustee under a Pledge and Assignment dated as of November 1, 2019 (the "Pledge and Assignment") all of its rights, title and interest in (a) the Loan Agreement (except certain rights to the extent reserved by the Issuer thereunder) as security for payment of the principal of, premium, if any, and interest on the Bonds, and (b) the Initial Master Note (as defined below).

As security for the Institution's obligations to the Issuer under the Loan Agreement, the Members of the Obligated Group will issue and deliver to the Issuer Obligation No. 1 (the "Initial Master Note") pursuant to and in accordance with the Amended and Restated Master Trust Indenture, dated as of November 1, 2019 (the "Original Master Indenture"), as supplemented by a Supplemental Indenture for Obligation No. 1, dated as of November 1, 2019 (the "Initial Supplemental Master Indenture"; and, together with the Original Master Indenture, the "Initial Master Trust Indenture") and each by and between the Institution, individually and as a representative of the Obligated Group, FSL, SEMC and The Bank of New York Mellon, in its capacity as master trustee (the "Master Trustee").

To secure the Initial Master Note, the Institution will execute and deliver to the Issuer a mortgage and security agreement (the "Mortgage and Security Agreement") from the Institution to the Issuer, which Mortgage and Security Agreement will, among other things, grant to the Issuer a mortgage lien on and security interest in certain real property owned by the Institution in the City of Utica (the "Mortgaged Property"). The Issuer will assign to the Master Trustee its rights under the Mortgage and Security Agreement pursuant to an assignment of mortgage and security agreement (the "Assignment of Mortgage").

The Members of the Obligated Group have executed and delivered a certain Tax Regulatory Agreement dated the date of issuance of the Bonds (the "Tax Regulatory

Agreement"), in which the Institution has made certain representations and covenants, established certain conditions and limitations and created certain expectations, relating to the compliance with the requirements imposed by the Internal Revenue Code of 1986, as amended, and the regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code").

The Bonds are dated as of their date of issuance and bear interest from that date on the unpaid principal amount at the rates set forth in, and pursuant to the terms of, the Indenture and the Bonds. The Bonds are subject to prepayment or redemption prior to maturity, in whole or in part, at such time or times, or under such circumstances and in such manner as are set forth in the Bonds and the Indenture, respectively.

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 identified in the closing memorandum with respect to issuance of the Bonds) as we have deemed necessary or appropriate for the purposes of the opinion expressed below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and have assumed the accuracy and truthfulness of the factual information, expectations, conclusions, representations, warranties, covenants and opinions of the Issuer, the Institution, the Trustee and their counsel and representatives as set forth in the various documents executed and delivered by them or any of them and identified in the closing memorandum for the Bonds.

Based upon the foregoing, and subject to the limitations hereinafter set forth, we are of the opinion that:

1. The Issuer is a local development corporation created pursuant to the Not-for-Profit Corporation Law of the State and is duly organized and existing under the laws of the State.

2. The Issuer is duly authorized and empowered by law to issue, execute, sell and deliver the Bonds for the purpose of financing the Project.

3. The Bond Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect, and is valid and binding upon the Issuer in accordance with its terms.

4. The Indenture, the Loan Agreement, the Pledge and Assignment, and the Assignment of Mortgage have each been duly authorized by and lawfully executed and delivered by the Issuer and (assuming the due authorization, execution and delivery by the other respective parties thereto) are valid, legally binding and enforceable against the Issuer in accordance with their respective terms.

5. The Bonds have been duly authorized, executed and delivered by the Issuer and are legal, valid and binding limited obligations of the Issuer, payable solely from the revenues

and other monies of the Issuer derived from the payments made by the Institution to the Issuer pursuant to the Loan Agreement, and enforceable in accordance with their respective terms.

6. The Bonds do not constitute a debt of the State or of Oneida County, New York (the "County") and neither the State nor the County will be liable thereon.

7. As of the date of delivery of the Series 2019A Bonds, the interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Moreover, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Code. We express no opinion regarding other federal tax consequences arising with respect to the Series 2019A Bonds.

The difference between the principal amount of the Series 2019A Bonds maturing _____ (the "Discount Bonds"), and the initial offering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that the basis of a Discount Bond acquired at such initial offering price by an initial purchaser of such an owner's adjusted basis for purposes of determining an owner's gain or loss on the disposition of a Discount Bond will be increased by the amount of such accrued original issue discount.

The Series 2019A Bonds maturing _____ through _____, inclusive, _____ through _____, inclusive, and _____, respectively (collectively, the "Premium Bonds") are initially offered to the public at prices in excess of their principal amounts. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner's original cost of acquiring such Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

8. As of the date of delivery of the Series 2019A Bonds, interest on the Series 2019A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

9. Interest on the Series 2019B Bonds is includable in gross income for federal income tax purposes and is subject to personal income taxes imposed by the State or any political subdivision thereof.

In rendering this opinion, we advise you of the following:

(a) The enforceability of the Bonds, the Loan Agreement, the Indenture, the Pledge and Assignment, and the Assignment of Mortgage may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law or enactment now or hereafter enacted by the State or the federal government affecting the enforcement of creditors' rights generally and by the general principles of equity, including limitations on the availability of the remedy of specific performance which is subject to discretion of the court.

(b) In rendering the opinion set forth in paragraphs 7 and 8 above, we have relied upon, among other things, certain representations and covenants of (i) the Issuer in the Indenture, the Loan Agreement, the General Certificate of the Issuer dated the date hereof, (ii) the Institution in the Loan Agreement and the General Certificate of the Institution dated the date hereof, and (iii) the Members of the Obligated Group in the Tax Regulation Agreement. We call your attention to the fact that there are certain requirements contained in the Code with which the Issuer and the Institution must comply from after the date of issuance of the Series 2019A Bonds in order for the interest thereon to be and remain excluded from gross income for federal income tax purposes, and consequently to remain exempt from personal income taxes imposed by the State or any political subdivision thereof. The Issuer, the Institution or any other person, by failing to comply with such requirements, may cause interest on the Series 2019A Bonds to become includable in gross income for federal tax purposes and therefore also subject to personal income taxes imposed by the State and any political subdivision thereof, in each case retroactive to the date of issuance of the Series 2019A Bonds. We render no opinion as to any federal, state or local tax consequences with respect to the Series 2019A Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Indenture, the Loan Agreement, the Tax Regulatory Agreement, or under any other relevant documents by the Issuer, the Institution or the other Members of the Obligated Group without the advice or approval of, or upon the advice or approval of any bond counsel other than, Bond, Schoeneck & King, PLLC.

(c) We are not passing upon, do not assume any responsibility for, and make no representation that we have independently verified the accuracy, completeness or fairness of any statements, information or financial data supplied to you in respect of the Bonds, any of the Financing Documents (as defined in the Indenture), the Project or the financial condition of the Institution or the other Members of the Obligated Group.

(d) This opinion is given as of the date hereof, and we disclaim any obligation to update this opinion letter for events occurring after the date hereof. We express no opinion herein except as to the laws of the State and the federal laws of the United States of America.

Very truly yours,

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APPENDIX F

BOOK-ENTRY SYSTEM

The information in the following section entitled "Book-Entry System" has been provided by DTC for use in securities offering documents, and the Issuer, the Bond Trustee, the Underwriter and the System take no responsibility for the accuracy or completeness thereof. The Issuer, the Bond Trustee, the Underwriter and the System cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("*DTC*") New York, New York, will act as securities depository for the Bonds. The 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 Bond certificate will be issued for each maturity of the Bonds and each interest rate applicable to such maturity, each in the aggregate principal amount of such maturity and interest rate, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the 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 Bond Trustee and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on or purchase price for the 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 Bond 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 Participants and not of DTC, its nominee, the Bond Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

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

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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MOHAWK VALLEY HEALTH SYSTEM

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of November 1, 2019 by Mohawk Valley Health System (the "Obligated Group Representative" or "MVHS") on behalf of itself, as an Obligated Group Member, all other Obligated Group Members (including Faxton - St. Luke's Healthcare and St. Elizabeth Medical Center), and any future Obligated Group Members (collectively, the "Obligated Group"), and Digital Assurance Certification, L.L.C. (the "Dissemination Agent") with respect to the bonds listed in EXHIBIT B hereto (the "Bonds"). Capitalized terms used in this Disclosure Agreement which are not otherwise defined in the Indenture (as defined below) shall have the respective meanings specified in Section 2 hereof.

The proceeds of the Bonds are being loaned by the Issuer to the Obligated Group Representative pursuant to a Loan Agreement, dated as of November 1, 2019, by and between the Issuer and the Obligated Group Representative (the "Loan Agreement"). Pursuant to Section 516 of the Indenture, the Obligated Group Representative, on behalf of itself and each other Obligated Group Member, and the Dissemination Agent, covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Obligated Group Representative and the Dissemination Agent for the benefit of the Beneficial Owners (as defined below) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the Rule (as defined below). The Obligated Group Representative and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement, and the Issuer shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. The terms set forth below shall have the following meanings in this Disclosure Agreement, unless the context clearly indicates otherwise.

"Annual Report" shall mean any Annual Report provided by the Obligated Group Representative pursuant to and containing the information described in Sections 3 and 4 of this Disclosure Agreement.

"Audited Financial Statements" shall mean the audited financial statements of MVHS and its Subsidiaries, as required by the Master Trust Indenture, prepared in accordance with generally accepted accounting principles (except as otherwise provided in the notes thereto). Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles; provided, however, that the Obligated Group may from time to time, if required by federal or state legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 8(a) hereof shall include a reference to the specific federal or state law or regulation describing such accounting principles, or other description thereof.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds, including persons holding such Bonds through nominees, depositories or other intermediaries.

"Bond Trustee" shall mean The Bank of New York Mellon.

"Disclosure Representative" shall mean the Senior Vice President and Chief Financial Officer of the Obligated Group Representative or his or her designee, or such other officer or employee as the Obligated Group Representative shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean the initial Dissemination Agent (as named above), acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Obligated Group Representative and which has filed with the Bond Trustee and the Issuer a written acceptance of such designation.

"Final Official Statement" shall mean the Official Statement(s) filed with the MSRB with respect to the Bonds.

"Financial Obligation" shall mean "financial obligation" as such term is defined in the Rule, which definition, subject to certain exceptions, as of the date hereof defines Financial Obligation to mean (A) a debt obligation, (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (C) a guarantee of a financial obligation described in (A) or (B) of this clause. The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Holder" shall mean any registered owner of any Bond and any other person included in the definition of "Holder" in any Indenture.

"Indenture" shall mean the Bond Indenture, dated as of November 1, 2019, between the Issuer and the Bond Trustee, relating to the Bonds.

"Issuer" shall mean the Oneida County Local Development Corporation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Master Trust Indenture" shall mean the Master Trust Indenture, initially dated as of March 1, 1998, as amended and restated in its entirety on the date of delivery of the Bonds by the Amended and Restated Master Trust Indenture, dated as of November 1, 2019 (as modified, supplemented, amended or restated from time to time), between the Obligated Group and The Bank of New York Mellon, as master trustee.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Participating Underwriter" shall mean Barclays Capital Inc., the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Quarterly Report" shall mean any Quarterly Report provided by the Obligated Group Representative pursuant to and as described in Sections 3 and 4 of this Disclosure Agreement.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as in effect on the date of this Disclosure Agreement, including any official interpretations thereof issued either before or after the effective date of this Disclosure Agreement which are applicable to this Disclosure Agreement.

SECTION 3. Provision of Annual Reports and Quarterly Reports.

(a) The Obligated Group Representative shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Obligated Group's Fiscal Year (which currently is December 31), commencing with the report for the Fiscal Year ending December 31, 2019, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the Audited Financial Statements of the Obligated Group may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such Audited Financial Statements are not available by that date. If the Obligated Group's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Obligated Group Representative shall provide the Annual Report to the Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent). If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Disclosure Representative and determine if the Obligated Group is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as EXHIBIT A.

(d) The Dissemination Agent shall, upon providing the Annual Report to the MSRB, file a report with the Disclosure Representative and, if the Dissemination Agent is not the Bond Trustee, the Bond Trustee, certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, and stating the date it was provided.

(e) The Obligated Group Representative shall, or shall cause the Dissemination Agent to, not later than 60 days after the end of each of the Obligated Group's first three fiscal quarters, commencing with the fiscal quarter ending March 31, 2020, provide to the MSRB a Quarterly Report. On or prior to said filing date (except that in the event the Obligated Group Representative elects to have the Dissemination Agent file such Quarterly Report, five (5) business days prior to such date) such Quarterly Report shall be provided by the Obligated Group Representative to the Dissemination Agent together with either (i) a letter authorizing the Dissemination Agent to file the Quarterly Report with the MSRB, or (ii) a certificate stating that the Obligated Group Representative has provided the Quarterly Report to the MSRB and the date on which such Quarterly Report was provided. In each case, the Quarterly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. The Obligated Group Representative shall not be required to provide a Quarterly Report for the fourth fiscal quarter of any fiscal year. The unaudited financial information shall include a consolidated balance sheet and year-to-date statement of operations, presented on a basis substantially consistent with the form of the Audited Financial Statements.

SECTION 4. Content of Annual Reports and Quarterly Reports. (a) The Annual Report shall contain or include by reference the following:

(1) The Audited Financial Statements; and

(2) Operating data of MVHS for such preceding Fiscal Year, prepared from the records of the Obligated Group, regarding, without limitation, financial and operating data of the type included in the Final Official Statement, concerning the Obligated Group, which shall include annual or year-end information for the Obligated Group as described in Appendix A of such Official Statement, including but not limited to the following:

(i) utilization statistics of the type set forth under the heading "FINANCIAL AND OPERATING INFORMATION - Utilization"; and

(ii) revenue, expense and fund data of the type set forth under the headings "FINANCIAL AND OPERATING INFORMATION – Payor Mix," "— Historical/Pro Forma Capitalization," "— Debt Service Coverage" and "— Liquidity."

together with a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning MVHS and the financial and operating condition of the Obligated Group; provided, however, that the references above to specific section headings of Appendix A of the Official Statement as a means of identification shall not prevent the Obligated Group Representative from reorganizing such material in subsequent official statements.

(b) The Quarterly Report shall contain quarterly unaudited financial statements of MVHS, with schedules for MVHS (including balance sheet, statement of revenues and expenses and changes in net assets), and quarterly operating data of MVHS of the type described in Appendix A to the Official Statement under the headings "FINANCIAL AND OPERATING INFORMATION — Utilization" and "— Payor Mix".

(c) Any or all of the items listed above may be incorporated by reference from other documents, including financial statements provided under (a)(1) or (b) above, the Official Statement, or other official statements of debt issues with respect to which the Obligated Group Representative is an "obligated person" (as defined by the Rule), which have been (i) made available to the public on the MSRB's Electronic Municipal Markets Access (EMMA) System, the current internet web address of which is www.emma.msrb.org, or (ii) filed with the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Obligated Group Representative shall clearly identify each such other document so incorporated by reference.

(d) If for any reason the Obligated Group's Audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the Audited Financial Statements shall be filed in the same manner as the Annual Report when they become available.

(e) The descriptions contained above of financial information and operating data to be included in the Annual Report and the Quarterly Report are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Report or Quarterly

Report containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Obligated Group shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, within ten (10) business days after such occurrence:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices 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, and tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the Bonds, if material;

11. rating changes;

12. bankruptcy, insolvency, receivership, or similar event of an obligated person (as defined in the Rule);

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for a Member of the Obligated Group in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of such Member of the Obligated Group, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but

subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of such Member of the Obligated Group;

13. the consummation of a merger, consolidation or acquisition involving an obligated person (as defined in the Rule) or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. the appointment of a successor or additional trustee, or the change in the name of trustee, if material;

15. incurrence of a Financial Obligation of a Member of the Obligated Group, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of a Member of the Obligated Group, any of which affect Bondholders, if material; and

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of a Member of the Obligated Group, any of which reflect financial difficulties.

(b) In the occurrence of a Listed Event, the Dissemination Agent, on behalf of the Obligated Group Representative, shall file or cause to be filed with the MSRB a notice within ten (10) business days after such occurrence. If the Disclosure Representative determines that the Obligated Group Representative failed to give notice as required by this Section, it shall promptly direct the Dissemination Agent to file a notice of such occurrence in the same manner.

(c) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

SECTION 6. Termination of Reporting Obligation. (a) The Obligated Group's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs before the final maturity of the Bonds, the Obligated Group shall give notice of such termination in the same manner as for a Listed Event. If the Obligated Group Representative's obligations under the Loan Agreement are assumed in full by some other entity, such entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Obligated Group Representative, and thereupon the original Obligated Group Representative shall have no further responsibility hereunder. The obligations set forth in this Disclosure Agreement of any Obligated Group Member shall be terminated if such Obligated Group Member shall no longer have any legal liability for any obligation or relating to repayment of the Bonds. Such Obligated Group Member shall give notice of such termination in a timely manner to the Disclosure Representative and the Dissemination Agent who shall provide notice thereof in a timely manner to the MSRB.

(b) This Disclosure Agreement, or any provision hereof, shall be null and void in the event that (1) the Obligated Group Representative delivers to the Bond Trustee and the Dissemination Agent an opinion of counsel, addressed to the Obligated Group Representative, the Issuer and the Bond Trustee, to the effect that those portions of the Rule which require this Disclosure Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Dissemination Agent delivers copies of such opinion to (i) the MSRB, (ii) the Issuer, (iii) the Bond Trustee, and (iv) the Participating Underwriter. The Dissemination Agent shall deliver such opinion within one business day after receipt by the Dissemination Agent.

SECTION 7. Dissemination Agent. The Obligated Group Representative may discharge the Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by giving notice to the Disclosure Representative. If at any time there is not any other designated Dissemination Agent, whether due to the discharge or resignation of any Dissemination Agent, the Bond Trustee, if it shall agree, shall serve as the Dissemination Agent until such time as a new Dissemination Agent is designated and if the Bond Trustee shall not so agree, the Obligated Group Representative shall serve as the Dissemination Agent.

SECTION 8. Amendment. (a) Notwithstanding any other provision of this Disclosure Agreement, the Obligated Group Representative and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment not modifying or otherwise affecting its duties, obligations or liabilities in such a way as they are expanded or increased) and any provision of this Disclosure Agreement may be waived, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Obligated Group Representative or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Obligated Group Representative shall have delivered an opinion of counsel, addressed to the Issuer, the Obligated Group Representative, the Dissemination Agent and the Bond Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Obligated Group Representative shall have delivered to the Issuer, the Bond Trustee and the Dissemination Agent an opinion of counsel unaffiliated with the Obligated Group (such as bond counsel) and acceptable to the Obligated Group Representative, to the effect that the amendment does not materially impair the interests of the Holders of the Bonds or (ii) the Holders of the Bonds consent to the amendment to this Disclosure Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of the Holders of the Bonds pursuant to the Indenture as in effect on the date of this Disclosure Agreement, and (5) the Obligated Group Representative shall have delivered copies of such opinion(s) and amendment to the Issuer, the Bond Trustee and the MSRB. The Dissemination Agent may rely and act upon such opinions.

(b) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(c) If an amendment is made pursuant to (a) hereof to the accounting principles to be followed by the Obligated Group Representative in preparing its financial statements, the Annual Report for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on

the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Group from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Obligated Group chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Obligated Group shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Obligated Group or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of a Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Obligated Group or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, the Loan Agreement or the Master Trust Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Obligated Group or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Current Compliance with the Rule. The Obligated Group Representative represents and warrants to the Participating Underwriter that, as of the date hereof, it is in compliance, in all material respects, with any undertaking entered into by it prior to the date hereof with respect to any other outstanding issue of obligations subject to the Rule. The Obligated Group Representative represents that in the previous five years, except as disclosed in the Final Official Statement, no Member of the Obligated Group has failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The 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 Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notices made or given pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any 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, Holders or Beneficial Owners of the Bonds or any other party. The Dissemination Agent shall have no responsibility for the Obligated Group's failure to report a Listed Event to the Dissemination Agent. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Obligated Group has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the Obligated Group and the Obligated Group Representative at all times.

THE OBLIGATED GROUP AGREES TO INDEMNIFY AND SAVE THE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS,

HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Group under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) Each of the Disclosure Representative, the Obligated Group Representative or the 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 none of them shall 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 Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Obligated Group *or* *any Member, in care of:*	Mohawk Valley Health System 1656 Champlin Avenue Utica, New York 13502 Phone: 315-624-6143 Attention: Senior Vice President and Chief Financial Officer
To the Dissemination Agent:	Digital Assurance Certification, L.L.C. 315 E. Robinson Street, Suite 300 Orlando, Florida 32801 Phone: 888-824-2663 Attn: DAC Client Services

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB pursuant to this Disclosure Agreement shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) System, the current internet web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org.)

SECTION 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Obligated Group, the Disclosure Representative, the Dissemination Agent, the Participating Underwriter, the Holders and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 16. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of New York (other than with respect to conflicts of laws), and by applicable federal laws.

SECTION 17. 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 10(b)(5) promulgated under the Securities Exchange Act of 1934, may apply to the Obligated Group and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Obligated Group under such laws.

SECTION 18. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, this Disclosure Agreement has been executed on behalf of the Obligated Group and the Dissemination Agent by their duly authorized representatives as of the date first written above.

MOHAWK VALLEY HEALTH SYSTEM,
as Obligated Group Representative,
on behalf of itself and all other Members of the
Obligated Group

By: _____
Name: Louis Aiello
Title: Senior Vice President and
Chief Financial Officer

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

FORM OF NOTICE TO MSRB OF FAILURE TO FILE ANNUAL OR QUARTERLY REPORT

Name of Issue:

$_____	$_____
Oneida County Local Development Corporation	Oneida County Local Development Corporation
Revenue Bonds	Revenue Bonds
(Mohawk Valley Health System Project)	(Mohawk Valley Health System Project)
Series 2019A (Tax-Exempt)	Series 2019B (Taxable)

Date of Issuance: November __, 2019

NOTICE IS HEREBY GIVEN that Mohawk Valley Health System (the "Obligated Group Representative"), has not provided [an Annual Report] [a Quarterly Report] with respect to the above-named Bonds as required by Sections 3 and 4 of the Continuing Disclosure Agreement dated as of November 1, 2019. The Obligated Group anticipates that the [Annual Report] [Quarterly Report] will be filed by _____.

Dated:_____

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By __[form only; no signature required]_____

EXHIBIT B

THE BONDS

$_____
Oneida County Local Development Corporation
Revenue Bonds
(Mohawk Valley Health System Project),
Series 2019A (Tax-Exempt)

$_____
Oneida County Local Development Corporation
Revenue Bonds
(Mohawk Valley Health System Project),
Series 2019B (Taxable)

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APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

Mixed Sources
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